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# UNITED NATIONS PROGRAMME OF ACTION FOR AFRICAN ECONOMIC RECOVERY AND DEVELOPMENT 1986-1990: UNCTAD'S INTERGOVERNMENTAL INPUT INTO THE GENERAL ASSEMBLY'S FINAL REVIEW AND APPRAISAL OF THE IMPLEMENTATION OF THE PROGRAMME OF ACTION IN 1991

Report by the Secretary-General of UNCTAD

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# I. INTRODUCTION

1. This report has been prepared in response to General Assembly resolution 43/27 of 18 November 1988, as well as resolution 45/178A of 19 December 1990. In 1988, the General Assembly decided to conduct a final review and appraisal of the implementation of the United Nations Programme of Action for African Economic Recovery and Development (UN-PAAERD) 1986-1990 (para. 2 of resolution 43/27). Subsequently, the Trade and Development Board decided to commence preparations for UNCTAD's intergovernmental input at the first part of the thirty-sixth session of the Board (para. 4 of decision 372 (XXXVI)). The UNCTAD secretariat's note (TD/B/1265) of 30 July 1990, which was discussed and noted by the Board at the first part of its thirty-seventh session, was submitted in response to the Board's decision.

2. The purpose of this report is to help the Board to complete the process begun at the first part of its thirty-seventh session, i.e. to prepare its intergovernmental input for the General Assembly's final review and appraisal of the Programme of Action in 1991. The issues covered include those indicated in the secretariat note (TD/B/1265). The structure of the report conforms in outline to the one proposed by the ACC for the final report of the United Nations Secretary-General on the implementation of the UN-PAAERD.

3. This introductory section recalls the various mandates and decisions of the General Assembly, the Trade and Development Board and other relevant bodies. It summarizes the main objectives of the UN-PAAERD and the commitments of the various parties to the Programme.

4. The point of departure for the final review and appraisal is the United Nations Programme of Action for African Recovery and Development 1986-1990 annexed to General Assembly resolution S-13/2 as well as the main elements of the General Assembly's mid-term review of its implementation.

5. The UN-PAAERD consists of a framework of mutually reinforcing actions by African countries and by the international community. On the one hand, African Governments undertook to implement economic reforms and to improve their economic policies in the context of Africa's Priority Programme for Economic Recovery (APPER) 1986-1990. 1/ On the other hand, the international community committed itself to supporting efforts of African countries in implementing the UN-PAAERD in a number of specified areas.

6. This report describes actions taken by the parties towards implementation of the Programme. It will also try to assess the extent to which commitments entered into have been honoured, the impact of the various actions taken, and measures needed to be implemented beyond 1991 for the full realization of the objectives of the UN-PAAERD.

7. Sections II and III review the performances of the African countries and the international community respectively in implementing the UN-PAAERD, including assessments, where possible, of the performances as requested by the Trade and Development Board. Section IV will summarize the conclusions of the assessments and indicate measures that may be needed to bring about accelerated and sustained growth in the region beyond 1991. 2/

## II. REVIEW OF IMPLEMENTATION OF UN-PAAERD BY AFRICAN COUNTRIES

8. The Programme of Action lists the internal constraints to growth and development in Africa to include infrastructural deficiencies, low capacity for domestic resource mobilization, inefficient utilization of domestic resources, excessive dependence on imports of consumer goods and production inputs, high population growth rates, shortages of skilled labour, civil strife and military conflicts, drought and desertification, and pests such as locusts and grasshoppers. In the case of some States in southern Africa, acts of destabilization constituted additional obstacles to development.

9. To lay the foundations for durable structural changes, increase productivity, ensure the rapid recovery of their economies and enhance their long-term development prospects, the African countries committed themselves to implementing "a sharply focused, practical and operational set of activities, priorities and policies".

### A. Implementation of UN-PAAERD by African countries 3/

10. At the national level, priority was to be placed on the development of agriculture and other sectors in support of agriculture. Food production was to receive special attention as well as the rehabilitation and development of agro-related industries and the development of other sectors in support of agriculture. In particular, attention was to be paid to transport and communications, as well as to issues relating to trade and finance, particularly price incentives, and financial co-operation. Drought and desertification were to receive prominent attention as well as human resources development, planning and utilization. African countries also undertook to implement policy reforms - including improved domestic economic management, appropriate adjustment measures, and population policies. Other priority areas identified included ensuring the effective participation of people in all aspects of development; developing indigenous entrepreneurial capabilities, both private and public; and, establishing a sound basis for political, economic and social justice. The issue of women in development - particularly where development planning and disbursement of resources are concerned - was identified as deserving priority treatment.

11. Subregional concerns included co-operative action to combat drought and desertification; problems of island, land-locked or semi-land-locked countries as well as the least developed countries. The issue of refugees and displaced persons was to receive priority attention. At the regional level African countries were to co-operate to strengthen their social and economic institutions at all levels. There was to be consolidation of African co-operation, inter alia through subregional organizations, based on economic criteria, including natural resources criteria. This report focuses mainly on issues within UNCTAD's purview, with brief discussions of others where information is available.

#### 1. Macro-economic policy reforms

##### (a) Overview

12. The main thrust of actions to be taken by African countries to implement the Programme of Action was in the area of improved domestic economic management and adjustment measures. Relevant measures were to include, 4/

rationalization of public investment policies, greater mobilization of domestic savings, improvement of financial management, fiscal administration and control of public expenditures to promote efficient use of resources and reduce waste and resource misallocation and reduction of foreign exchange leakages. The role of the private sector was also to be encouraged through well-defined and consistent policies.

13. Most of the actions taken by African countries pursuant to their commitments in the area of policy reforms have been in the framework of IMF - World Bank supported structural adjustment programmes. In the early stages, some countries attempted to formulate and implement their own programmes without Bank-Fund support or involvement.

14. All together, over 30 African countries are now engaged in implementing Bank-Fund supported structural adjustment programmes covering many aspects of economic management as at the end of 1989. Twenty-eight Sub-Saharan African countries had active Bank supported adjustment programmes; 27 had programmes with the IMF. Algeria, Morocco and Tunisia have also continued their macro-economic and stabilization efforts, in some cases with IMF support.

15. Annex table 1 gives a matrix of policy measures covered by World Bank supported adjustment programmes in countries covered by its Special Programme of Assistance (SPA).

16. Although the underlying objective of adjustment must be to restore the conditions for growth and, in the African context, lay the basis for longer-term social economic development and transformation, the initial reform efforts were focused primarily on macro-economic stabilization measures. Achievement of fiscal, monetary, and exchange-rate equilibrium, and other measures to establish a balance and consistency between aggregate demand and supply were an essential first step towards growth and efficiency. Annex table 1 shows clearly that these first-generation adjustment programmes have concentrated on reducing macro-economic imbalances in the short term. Sectoral aspects of programmes were limited to macro-economic, fiscal and exchange-rate policies, as well as policies affecting the public enterprise sector, the financial sector, public institutions and distribution, and trade and agriculture.

17. It is now generally accepted that African countries have made courageous efforts to implement reform programmes in conformity with their commitments under the Programme of Action. Both the World Bank and the IMF attest to this. Data available on World Bank supported programmes indicate that programme implementation has continued to improve, with the largest gains being achieved in the area of macro-economic policies. The positive results of these efforts are demonstrated by improvements in the real exchange rate, real interest rate, fiscal balances, trade liberalization, pricing and public sector management in many countries.

Table 1

Selected Macro-economic Indicators -
Broad money aggregates, Fiscal deficits and Inflation
(averages)

| Broad money aggregates (annual percentage change) | | |
|---|---|---|
| | 1982-1985 | 1986-1989 |
| Developing countries | 42.9 | 64.9 |
| Africa | 18.2 | 17.9 |
| of which | | |
| Sub-Saharan Africa | 24.7 | 23.0 |
| Asia | 20.1 | 20.1 |
| Middle East | 18.5 | 12.3 |
| Latin America | 124.2 | 253.5 |
| **Central Government deficit (as percentage of GDP)** | | |
| | 1982-1985 | 1986-1989 |
| Developing countries | -5.0 | -7.0 |
| Africa | -5.0 | -7.1 |
| of which | | |
| Sub-Saharan Africa | -5.7 | -7.0 |
| Asia | -3.3 | -3.5 |
| Middle East | -8.7 | -11.9 |
| Latin America | -6.2 | -10.2 |
| **Inflation rates (per cent)** | | |
| | 1980-1985 | 1986-1989 |
| Africa | 16.3 | 17.9 |
| of which | | |
| North Africa | 11.1 | 12.0 |
| Other Africa | 19.4 | 21.6 |

Sources: IMF and UNCTAD.

18. Although there has been a greater appreciation of the need for reforms, the intensity of implementation has varied. In Ghana for example, reform policies have been initiated and consistently applied since 1983, and cover a broad range of policies. Madagascar and Togo have also followed a similar path. In spite of mounting difficulties arising from heavy debt burden, falling revenues from the Suez Canal, tourism, oil receipts and remittances from nationals working in other Middle East countries, Egypt has sought to consolidate its production structure by adopting an economic reform programme with emphasis on a gradual approach and social justice. 5/ Senegal's early adjustment efforts have fluctuated in the 1980s having suffered some reverses, while others like Guinea, Mozambique and United Republic of Tanzania have recently launched comprehensive reform programmes. In some countries, performance has weakened while in others the programmes appear to have stalled.

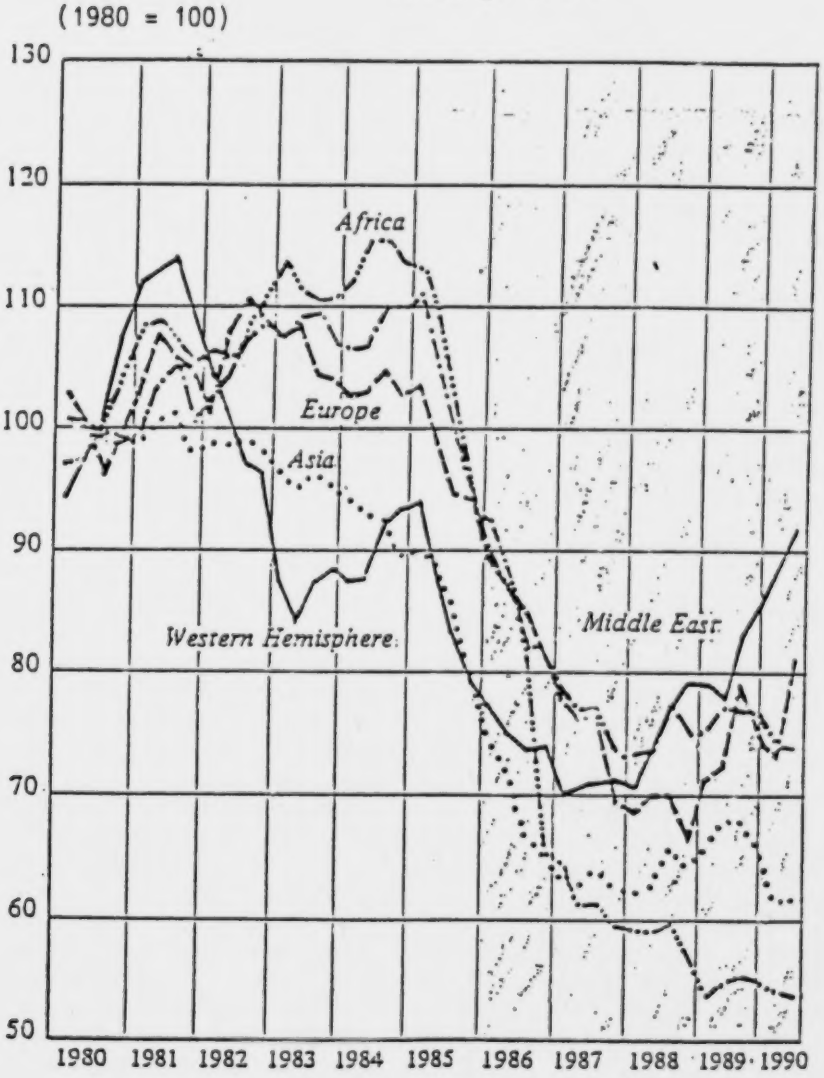
19. The mixed performance throughout the region should not obscure the fact that considerable progress has been made since the mid-1980s, especially in the period of the UN-PAAERD. Such performance should also be judged against the complexity of the programmes, weak institutional and human resources infrastructure for their implementation, internal political problems, including civil strife (Mozambique, Somalia, Burundi, Angola), as well as the continued weakness in commodity prices and especially the collapse of coffee and cocoa prices recently.

(b) Exchange-rate reform

20. The most significant area of reform by African countries was in real effective exchange rates. Prior to the establishment of the Programme of Action, exchange rates of African countries were grossly overvalued. Among the worst cases were Mozambique and Uganda where civil strife aggravated the already difficult external payments situation. For these countries (exceptional cases), the ratios of parallel market to official exchange rates were 48.2 and 327.4 respectively in 1986. Between 1987 and 1989, however, Uganda, through strong and determined exchange rate action, brought the differential down to 2.8 - a remarkable achievement by any standard. Mozambique reduced the gap to 12.0 in 1987. On the whole, real effective exchange-rate depreciation was substantial (see Chart I). Other African countries also made determined efforts to improve and maintain their exchange-rate competitiveness between 1985 and 1989, including Algeria, Ghana, Gambia, Nigeria and Uganda. For SPA countries, 6/ the depreciation was as much as 35 per cent between 1981-83 and 1987, and a further 10 per cent between 1988 and 1989. Ghana, United Republic of Tanzania and Uganda made substantial progress in reducing the gap between parallel market and official exchange rates. There has been less flexibility in exchange-rate adjustment in the CFA countries. This is due to the fixed parity relationship between the CFA and the French franc. As the French franc tended to appreciate in relation to other currencies, this fixed relationship has resulted in automatic appreciation of the CFA although economic fundamentals in some of these countries would indicate otherwise.

Chart I

Developing Countries: Real Effective Exchange Rates




Source: IMF

(c) Fiscal policies

21. During the Programme period, African countries achieved substantial gains in fiscal management through restraints on government expenditure and improved revenue collection. The median percentage of government revenues (including grants) to GDP rose from 22.4 per cent in 1986 for Sub-Saharan African countries to 23.8 per cent in 1989. For SPA countries, this indicator was somewhat better, rising from 17.8 per cent to 23.5 per cent of GDP. The median percentage of fiscal deficits (including grants) to GDP for Sub-Saharan African countries has dropped from 7.1 per cent in 1986 to 5 per cent in 1989. A number of countries such as Ghana, the Gambia, Senegal, United Republic of Tanzania and Madagascar have made notable progress in reducing their fiscal deficits. Others such as Zaire, Sao Tome and Principe and Mozambique have been less successful. Complexity of reform measures, low-income levels and weak growth were major inhibiting factors.

22. In the early phases of the Programme, the weight of fiscal expenditure cuts fell heavily on essential social sectors such as health, education and other infrastructure. In spite of their strong influence on the design and content of adjustment programmes, the Bank and Fund avoided any efforts to urge countries to reduce military expenditures. The Bank and Fund now appear to be more fully aware of these lapses. Recent publications indicate that greater attention will be paid not only to the social sectors, but also to issues such as human resources development, military expenditures and reducing the harsh impact of these programmes on the more vulnerable groups in African countries. The World Bank, now also claims that sectoral and institutional components of its programmes have now increased from less than half in the early part of the programme period to about two thirds in Sub-Saharan Africa in the fiscal year 1989/90. Social sector programmes of the Bank are also projected to rise from about 9 per cent of commitments in 1985-1987 to 15-20 per cent in 1990-1993.

(d) Inflation and interest rates

23. In addition to efforts to limit fiscal deficits and monetary expansion, several African countries made strong efforts to move towards achieving positive real rates of interest, by reducing the rate of inflation on the one hand and raising nominal interest rates on the other. This resulted in substantial deceleration of inflation in many countries.

24. Available information (table 1) shows that the North African countries were more successful than the rest of the region in controlling inflation. However, large variations occur among countries. Egypt, for example, was above average among the North African countries with 20.6 per cent in 1985-1989 compared with the subregional average of 12 per cent. In the rest of the region, a number of countries recorded very high rates of inflation in 1985-1989. Among them were Somalia (57.5 per cent), Zambia (61.8 per cent), Zaire (81 per cent) and Sierra Leone (88.7 per cent). Countries such as Ghana, Nigeria and United Republic of Tanzania, which were initially successful in bringing down inflation, are now much less able to do so. A

number of West African countries (Burkina Faso, Côte d'Ivoire, Niger, Senegal, Togo) registered low or negative rates of inflation, which may not reflect relative real prices. This may be due to the relative over-valuation of their currencies because of their fixed parity with the French franc, which would normally be reflected in lower local currency costs of imported goods and services.

25. According to the World Bank sources, two thirds of 16 SPA countries for which comparable data are available achieved positive real rates of interest in 1988 compared to one third in the previous year. The median of real central bank discount rates for Sub-Saharan African countries moved from 1.9 per cent per annum in 1987 to 8.9 per cent per annum in 1989. Similarly, the median inflation rates dropped from 6 per cent in 1987 to 4.6 per cent in 1989. In view of the strong inflationary pressures created by the substantial nominal currency depreciations, these achievements represent major efforts on the part of African countries. Real interest rates, however, remain negative in a number of African countries, because of internal political problems and the sheer size and complexity of the necessary adjustment. For the region as a whole, however, inflation levels remain high in relation to other regions, except Latin America, and efforts need to continue to bring down inflation and achieve positive real rates of interest. Failure to achieve these objectives could limit countries' capacities to mobilize savings and allocate resources efficiently.

2. Sectoral policies

26. Sectoral policies which have been used to underpin macro-economic policies include substantial adjustments in trade sector policies, agricultural price and marketing reforms, civil service and public sector reforms. There has also been some restructuring of energy prices to bring them in line with costs and improve efficiency in resource use. Typically, these World Bank-IMF sponsored adjustment programmes have not paid much attention to issues of diversification, commodity dependence or industrialization. Annex table 1 shows clearly that little action has so far been taken in the area of industrial policy. Some examples of sectoral adjustment policies are discussed below.

(a) Trade sector policies

27. Many African countries took strong action in the area of external trade reforms to complement their exchange-rate adjustment and exchange-liberalization measures. Most countries, notably Gambia, Ghana, Mauritania and Senegal, abolished quantitative restrictions on trade, simplified their tariff structures, and liberalized almost all imports. A number of other countries, Burundi, Guinea, Malawi and Mali are also adopting similar measures while Guinea-Bissau, Mali and Niger are in the process of limiting State monopoly of imports and exports.

28. In addition to these measures, most Governments have engaged in extensive deregulation of domestic trade. Measures in this area included removal of price controls, removal of artificial barriers and restrictions on private

trade. United Republic of Tanzania, for example, has removed price controls on over 400 commodities. Burundi has liberalized trade in all products except a few including petroleum and cement. Others such as Benin, Guinea, Guinea-Bissau, Ghana, Mauritania, Mozambique and Senegal have taken similar action.

(b) Agricultural prices, marketing and other policy reforms

29. Many African countries still set and control sales of export crops. However, a number of countries - Guinea, Malawi, Mali, Nigeria, Niger, Somalia and Zaire - have recently liberalized their policies by freeing prices or removing government monopolies. Ghana, while maintaining control over major export crops, has raised cocoa prices by over 150 per cent in real terms since 1983. Both Ghana and Madagascar have maintained official prices above the rate of inflation. These measures, which aim to improve production incentives and efficiency in marketing, have generally resulted in better incentives to agriculture through the reduction of taxes on agriculture and an increase in real produce prices.

30. In addition, a number of countries are giving higher priority to the agricultural sector through broadening their productive base and progressively enhancing productivity. Over the medium term, countries such as Egypt, Libyan Arab Jamahiriya, Nigeria, Senegal and Uganda are reported 7/ to be devoting over 25 per cent of public sector investment to rehabilitation, upgrading and creation of new capacities in agriculture in order to achieve food self-sufficiency and food security. A major objective of the newly formed Union of the Maghreb countries is to promote socio-economic development with a particular focus on agriculture.

(c) Industrial sector policies

31. Again, annex table 1 shows that such industrial sector policies as were introduced under the World Bank-IMF structural adjustment policies were limited mainly to rationalization and privatization of public sector enterprises. Some programmes are being developed for small and medium-scale enterprises. However, they lack the precision and force compared to the macro-economic policy stance of the multilateral institutions.

32. On the other hand, a number of African countries have, mostly on their own, decided to broaden their industrial base and to create a more conducive environment for industrial development. 8/ In Ethiopia, for example, the Government has approved a package of reforms to encourage private investment in small-scale industry, tourism and joint-ventures. In Egypt, industrial policy now places emphasis on the development of intermediate and engineering goods, the improvement of backward and forward linkages within the sector and improved quality and competitiveness. Following the collapse of bauxite prices, Guinea decided to develop mineral-based industries. The Maghreb countries have decided to develop an industrial fibres project and an iron and steel project, using Mauritania's iron ore reserves. Several other countries including Nigeria, Cameroon, Congo, Mozambique and United Republic of Tanzania are taking similar steps to improve, expand or diversify their industrial capacity.

(d) Civil service and public sector reforms

33. Rationalization of their civil service and public sectors constituted another major area of improved domestic economic management by African countries. Major efforts were made to streamline the civil service, to reduce the wage bill and to improve the quality of public service. Concrete measures include freezing of new employment, laying off staff, or reducing salaries in some cases. Gambia reduced its civil service by a quarter, Guinea, by one sixth and Mozambique by one tenth. Ghana redeployed or layed off 25,000 government workers. These represent very courageous efforts on the part of the Governments, especially bearing in mind that these are low-income countries with no social security arrangements in the form of unemployment benefits. Others such as Benin, Burundi, Central African Republic, Chad, Madagascar, Mali, Mauritania, Sao Tome and Principe, Senegal, Uganda and Zaire, have initiated measures aimed at bringing civil service expenditures under control.

34. Along with civil service reforms, many reform measures have entailed restructuring, rehabilitation or divestiture of public enterprises. By 1987 over 200 companies were either being liquidated or privatized in SPA countries. Another 40 have since been added to the list. Guinea, which has made the most substantial effort, sold or liquidated over 100 public enterprises.

(e) Population, human resources development, and participation of the people in development

35. Part I A, section 1 (a) (iii) and (iv) of the UN-PAAERD recognized the need to accord special importance to population policy on the basis of the Kilimanjaro Programme of Action on Population 9/ which African Governments adopted in 1984. Inter alia, it stressed the need to address issues of high fertility and mortality, rapid urbanization and the problem of rural migration of young people, and protection of the environment to ensure compatibility with demographic trends.

36. Even though a growing number of countries have programmes to manage population growth rates compatible with resources, socio-cultural norms and other requirements, population growth rates are still high. Africa's population growth, at 3 per cent (1980-1985), continues to outpace food production and the rate at which resources can be created to sustain such growth. Most African countries still have population growth rates between 2.5 and 3.1 per cent. Exceptional cases at the lower end are Gabon, Malawi and Reunion. While Kenya, Libyan Arab Jamahiriya, Uganda, United Republic of Tanzania, Zambia and Zimbabwe have above average rates. With a demographic profile in which the population under 20 years of age accounts for 50 per cent of the population, African countries face enormous problems of resources for education, health, shelter and employment. In addition, this youthful population, which has tended to migrate to urban centres because of neglect of rural areas, puts pressure on urban facilities.

37. Even before the structural adjustment programmes of the Bank and Fund were adopted, many countries had difficulties in supporting the objective in the area of human resources development. With the advent of the structural adjustment programmes, however, expenditure on education has declined. In some cases, earlier successes in even basic areas such as illiteracy eradication have suffered relapses.

38. Progress with public enterprise reforms has been slow and mixed in some cases. The principal reasons for this include problems of evaluation and difficulties of finding suitable or willing buyers for the enterprises. Countries such as Togo and Ghana have made little progress because of difficulties of the latter kind. In some cases, negotiations have been protracted because potential buyers pick the more profitable enterprises or assets, leaving the Government with the bad. In other cases, complications have arisen because of difficulties with the work force of some of the enterprises being put up for sale.

39. With regard to participation of the people in development, the UN-PAAERD lists three important areas of action:

- ensuring the effective participation of the people in all dimensions of development;

- developing indigenous entrepreneurial capabilities, both private and public; and

- establishing a sound basis for political, economic and social justice.

Elaboration of this last objective has recently included accountability of persons in authority, due process, transparency and integrity in the exercise of discretion and disposal of national resources.

40. Recently, there has been some progress towards political liberalization in a number of countries. Others are exploring the type of approach which in their perception can best suit their particular history and socio-cultural situation at this time. Progress is somewhat slow. The Khartoum Declaration, 10/ and the African Charter for Popular Participation in Development and Transformation 11/ contain elements of African countries' approach. However, ongoing experience with the process of liberalization in other countries after long periods of other forms of administration are pointers to the complexity of the process and the need for careful planning.

41. With regard to indigenous entrepreneurial capacities, a number of countries are taking steps to encourage local investors. Such steps include divestiture of public enterprises to the private sector and, recently, the establishment of stock exchanges in a few countries.

(f) Women and development

42. Referring to the Arusha Forward-looking Strategies for the Advancement of Women in Development Beyond the United Nations Decade for Women, the Programme of Action urged that the pivotal role of women in development be recognized

and that issues of particular interest to them be seriously taken into account in development planning and resource allocation. The leading role of women in food production, trade, small-scale business and food processing in Africa is generally acknowledged. However, long-standing traditional attitudes and cultural practices militate against their full involvement at decision-making levels in government, business or administration and their entitlement to resources - land, credit or even access to research and extension services in agriculture. Although these shortcomings are generally acknowledged and much discussed, actual effective action has not matched the frequent expressions of concern. A deliberate effort may now need to be made by many African Governments to increase the participation of women in government decision-making, in business, in administration and in access to available resources.

(g) Environmental issues

43. In spite of efforts of African countries and specialized agencies, environmental degradation is posing a serious threat to Africa's resource base. It has reduced commodity production in some cases, especially in agriculture, livestock and forest products. Forests, farmlands, marine basins and water systems are threatened.

44. The World Bank 12/ estimates that 3.7 million hectares or 0.6 per cent of forest cover are cleared anually. At reafforestation rate of 1 to 29, forest cover will be depleted in 170 years. The case of Madagascar is particularly striking. From a total forest cover of 80 per cent, the World Bank reports a reduced cover of only 16 per cent. At this rate Madagascar's forests will disappear by the year 2020 with the loss of some very rare plants and animal species. At the same time vast amounts of savannah woodlands are being cut down for fuel. Population pressure, poor farming methods and greater pressure on the land for farms and for grazing have increased the rate of soil erosion which affects large areas of the range and dry lands. In the worst reported case, Ethiopia loses 290 metric tons of top soil per hectare on steep slopes. However, generally high but lower levels of soil erosion are common in the Sudano-Sahelian region depending upon slopes, wind, vegetation cover, farming and grazing practices. Environmental damage is also affecting Africa's marine zones, coastal lagoons and tidal waters. Flooding and sea erosion is common in many areas - especially the West African coasts. Rivers and lake basins are also subject to degradation.

45. The main causes of pressure on the environment are population growth, low prices for commodities, inappropriate farming methods, over-fishing and the use of inappropriate equipment (drag nets for example) by international fishing concerns, lack of forward planning and insufficient consideration for ecological concerns in the planning and management of Africa's natural resources. At the same time, African countries have limited resources to patrol their coastal waters or extended economic zones. For this reason they are unable to prevent the dumping of poisonous industrial wastes in their protected areas or adequately protect their fish stocks.

46. The proper management of natural resources involves due consideration for environmental factors in development. This can be achieved through proper planning, practical commitment and by creating a greater awareness of

environmental issues. In the forest areas, for instance, improved management would involve measures to encourage a longer-term view of timber concessions and stricter rules on replanting and vigorous efforts at reafforestation. Improved farming methods such as terracing, planting of crops through the soil of dead weed or stubble and tree planting projects can redress erosion in the savannah lands.

47. Similarly, Africa's lake and river basins such as the Nile, Niger, Congo and Zambesi as well as the lake basins of the East African Rift Valley, the Chad and others, with vast potentials for water supply, irrigation, power generation and inland water fisheries need to be protected through more efficient management of the region's ecosystems. This can be done most efficiently if countries adopt a subregional or regional approach. The same will apply to questions relating to management of coastal waters, protection of fish stocks, surveillance and protection of extended economic zones from over-fishing or the dumping of poisonous materials by industrialized countries.

48. So far Madagascar's pioneering efforts to limit environmental degradation stand out. Other countries, including Ghana, Lesotho, Mauritius, and Rwanda, are developing environmental action programmes, while yet others are considering doing so. While some of these measures can be taken at the level of individual countries, regional co-operation in the exchange of information and training will enhance the capacities of countries to cope with the problems. In particular, succesful management of lake and river basins will call for strong commitment on the part of Governments to co-operate.

49. The problems of limiting environmental degradation require global attention. The countries most at risk are also among the poorest. Besides, not all the problems are self-imposed; international partners must bear part of the blame. Therefore, while African countries are making their best efforts to address the problem, the international community must assist in more concrete terms with technical support and financial resources.

3. Overall performance

50. On the whole the above analysis shows that many African countries have implemented comprehensive adjustment programmes during the period of the Programme of Action by combining macro-economic stabilization programmes with far-reaching actions in other areas. The less favourable external economic environment, particularly the low commodity prices, mounting debt service problems and rise in oil prices as a result of the crisis in the Persian Gulf, have complicated the task of macro-economic adjustment in many countries, especially the oil-importing countries.

51. The general trend in Africa now is one of greater receptiveness and appreciation of the need for policy reforms. Difficulties, however, arise with formulation of the appropriate policy mix and, more especially, with timing of the measures to be introduced. In addition, implementation capacity, so often taken for granted, is a major problem, especially at the sectoral level.

52. Some of the stabilization and adjustment measures have brought new problems in their own train. For example, so-called redeployment measures have not resulted in shifts in employment, as affected persons have not found alternative employment. Such massive redeployment or lay-offs in countries where youth unemployment is an increasing problem, pose difficult policy choices for many governments. In Nigeria and Ghana, especially, graduate unemployment is becoming a serious problem. For others such as Kenya, Tanzania, Uganda and Zambia, youth unemployment is high. Private investment (local and foreign) on the other hand has not responded sufficiently to these measures in order to create new employment. The adverse effects of fiscal measures on health education and infrastructural programmes are now generally acknowledged. The World Bank now appears to have taken notice of these, and appears willing to adjust programmes to recognize "the need to combine fiscal and monetary measures with steps to minimize the adverse social impact of adjustment and particularly to reorient public spending in favour of basic education, health and nutrition". 13/

53. Although it is generally recognized that excessive protection over long periods leads only to creation of inefficient industries, trade liberalization in countries with embryonic industries or no industrial base at all has also created its own problems. There has been massive dumping of cheap, often fake, consumer goods on the markets. The more dangerous cases include importation of drugs, baby foods and food items with long-past expiry dates. In some cases also, premature rationalization of marketing boards has led to falling standards of the export produce. Where privatization has been introduced in the context of wide divergences between parallel market and official foreign-exchange rates, this has also led to non-repatriation of export proceeds.

54. Assessing the overall performance of African countries in the area of policy reforms requires a differentiated approach. In any case, the complexity of the measures, the policy mix of each country's programme, the dynamics of internal and external environment and the particular circumstances of each country must be taken into account. Even so, the World Bank estimates that a large part of SPA countries are strong to average performers. A smaller group of "weak performers" are those which have failed to sustain the pace of reform or weakened considerably.

55. In spite of these difficulties, however, there is need to continue with the economic reform policies and to deepen them as an insurance against shocks to which many African countries are exposed. However, there is no unique all-purpose formula for efficient economic management. African countries have been at pains to make this point to the international community, and it is supported by the current experience of countries in Eastern Europe. 14/ These new programmes should not only concentrate on macro-economic policy measures but should also address sectoral issues aimed at diversification and transformation of the economies of African countries. 15/

56. The ECA 16/ lists the following structural characteristics of African economies as the most fundamental causes of the region's underdevelopment and economic growth prospects:

(a) predominance of subsistence and commercial activities;

(b) narrow disarticulate production base with ill-adapted technology;

(c) neglect of the informal sector;

(d) degraded environment;

(e) lopsided development arising from the urban bias of public policies and development policies in particular;

(f) fragmentation of the African economy;

(g) openness and excessive dependence of economies, including dependence on external factor inputs;

(h) weak institutional capabilities.

57. A new generation of structural adjustment programmes for Africa must take a number of these elements into account while deepening and strengthening the macro-economic stabilization and adjustment efforts currently being undertaken. TD/B/1182 (para. 89) recalled that at UNCTAD VII the Conference agreed, inter alia, that such programmes should take into account each country's situation, including economic, political and social characteristics and needs. 17/ The claims of the multilateral financing agencies that these issues are being addressed will need to be more clearly demonstrated.

## B. Developments in the African economies

### 1. Overview

58. According to ECA data (table 2), GDP growth rates improved considerably during the Programme period. The regional GDP at factor cost rose from 0.4 per cent in 1987 to 2.4 per cent in 1988 and 2.9 per cent in 1989. Although these growth rates were not sufficiently high compared to population growth rates to secure substantial improvements in per captia incomes, they nevertheless represent a much improved performance over the earlier part of the decade. The East and Southern as well as the West African subregions exceeded the regional average, while growth was relatively weak in North and Central Africa.

59. North Africa's GDP at factor cost rose from -0.4 per cent in 1987 to 2.8 per cent in 1989 compared with 1.8 per cent in 1988. The major contributing factors in the subregion were recoveries in agricultural and manufacturing output. Algeria's strong growth, especially after 1988, was helped by improvements in oil market conditions and substantial increases in exports of liquefied petroleum gas. The Algerian economy also benefited from reorganization and adjustment measures which have introduced greater flexibility in economic management. On the other hand, Morocco's exceptional growth performance in 1988 was reversed in 1989. Similarly, after slowing down to 4.2 per cent in 1988, Egypt's growth has been constrained further by heavy debt service and declining revenues from tourism and from nationals working abroad.

Table 2

Output share and growth rate by subregion and economic grouping, 1987-1989

| Sub groupings | GDP per head 1988 (1980 $US) | Growth Percentages | | |
|---|---|---|---|---|
| | | 1987 | 1988 | 1989 |
| North Africa | 1093.1 | -0.4 | 1.8 | 2.8 |
| Sub-Saharan Africa | 483.8 | 1.1 | 2.7 | 3.0 |
| Central Africa | 533.7 | -1.5 | 1.4 | 1.6 |
| East & Southern Africa | 245.0 | 3.5 | 3.3 | 3.8 |
| Southern Africa | 372.8 | 1.6 | 4.0 | 3.3 |
| West Africa | 657.5 | 0.9 | 3.0 | 3.1 |
| Sahel countries | 188.4 | 1.4 | 4.5 | 1.5 |
| Sub-Saharan Africa without Nigeria | 361.0 | 1.2 | 2.4 | 2.8 |
| Oil exporters | 1028.0 | -0.2 | 1.6 | 2.8 |
| OPEC members | 1489.2 | -1.1 | 1.2 | 3.0 |
| Non-oil exporters | 351.1 | 1.7 | 3.8 | 3.1 |
| LDCs | 218.6 | 3.1 | 2.5 | 3.5 |
| Developing Africa | 613.1 | 0.4 | 2.4 | 2.9 |

Source: ECA Secretariat.

60. West Africa enjoyed overall growth rates of 3.0 and 3.1 per cent in 1988 and 1989 respectively, with agricultural, manufacturing and mining sectors making the major contributions in 1989. However, growth performance varies greatly among countries. Burkina Faso, Chad, Cape Verde and Niger experienced shortfalls in grain production ranging from 9 per cent in Burkina Faso to 56 per cent for Cape Verde. Whereas the non-Sahelian countries performed better in 1988 than in 1989, they were unable to sustain their higher performance of the preceding year (1987). Countries of the Western Sahel had somewhat better harvests, with record levels in the Gambia and Guinea Bissau. In non-Sahelian West Africa, performance has varied, with countries like Benin, Sierra Leone, Liberia, Côte d'Ivoire and Togo continuing to face various problems which have affected their growth performance. In Sierra Leone, the decade-long decline in exports of diamonds through illegal mining and smuggling continued. Export earnings have fallen from 13.5 per cent of GDP in 1981 to 6 per cent in 1988. Côte d'Ivoire's problems have been particularly aggravated in 1989 and 1990 by the sharp drop in prices of coffee and cocoa.

61. Nigeria remains the dominant economy in the West African subregion. In addition, it is a major oil producer. Until 1986, when the Government embarked on an adjustment programme, substantially liberalizing the economy, there was no growth in the Nigerian economy. Since then the country's economic performance has begun to improve with growth rates of 1.8 per cent and 3.3 per cent in 1988 and 1989 respectively. Improved agricultural

performance, due not only to better weather conditions but also to farmer response to better incentives, is a major factor in the improved GDP figures. Similarly, manufacturing industry has begun to respond to adjustment measures by adapting to locally based inputs. This factor, combined with the more liberalized external trade régime, and improved foreign exchange earnings and import capacity, led to higher capacity utilization in industry and, therefore, high manufacturing value added.

62. As noted above, output growth in Central Africa continued to be mixed (-1.5 per cent in 1987, 1.4 per cent in 1988 and 1.6 per cent in 1989), but weak in overall terms. Oil production fell in Cameroon in 1988 and Zaire failed to take advantage of the substantial improvements in copper and cobalt prices between 1986 and 1988. Rwanda and Burundi, mainly agricultural producers depending on coffee expórts, had average growth rates of 1.5 per cent and 3.4 per cent respectively in 1988. The collapse of international prices for cocoa and coffee exacerbated the problems of Cameroon, Burundi and Rwanda, all of which had to introduce severe adjustment measures including substantial reductions in producer prices (Rwanda), a 9 per cent devaluation (Burundi) and budgetary cuts and drastically reduced imports (Cameroon, which also experienced a negative growth rate in 1989).

63. Output growth in East and Southern Africa averaged 3.5 per cent in 1987-1989, with 1987 and 1989 somewhat above average. Strong growth in the agricultural and manufacturing sectors contributed to this relatively good performance. Among countries, however, performance has varied.

64. Kenya's output growth suffered as exports dropped in 1988 and Madagascar achieved only 1.9 per cent in spite of improvements in agricultural output and exports. In the southern subgroup, good weather boosted output, enabling Zambia to double its maize output. Copper production, however, fell sharply so that GDP growth was limited to 2 per cent in 1988. Zimbabwe on the other hand increased its agricultural output by 25 per cent in 1988. Measures taken by some of the countries in the subregion to adjust their exchange rates and improve the investment climate and production may have contributed to a marginal improvement in output in 1989.

65. Botswana and Mauritius, however, deserve special mention for their exceptionally high growth rates during the Programme period. With an annual growth rate of 13 per cent since independence in 1966, Botswana enjoys one of the fastest growth rates in the world. Output growth received a major boost with the opening of a high-yielding mine at Jwaneng in 1982 which made the country the largest exporter of diamonds. Thus spurred by an average growth rate of 30 per cent per annum in the mining sector, between 1982 and 1987, overall GDP grew at an average rate of 11.5 per cent in constant 1987 prices between 1980 and 1988. Growth rates in 1988 and 1989 have since slowed down to 8.1 per cent and 4.3 per cent respectively. Prudent management of aggregate demand and sound fiscal policies have contributed to Botswana's continued good performance. It must be stressed, however, that this extraordinary performance was due largely to the boom in the diamond mining sector, and Botswana still has problems. Although formal sector employment has grown by 8 per cent per annum on the average, urban unemployment - at 25 per cent - is still a major problem. However, the Government appears to be developing plans for further diversification into agriculture and industry.

66. Mauritius' growth is not as spectacular as Botswana's but remarkable by regional standards. Traditionally a sugar-exporting country, Mauritius took bold steps to diversify its economy from sugar into manufactures and tourism. The principal instrument used was export processing zone (EPZ) industries in the manufacturing sector. The manufacturing sector industries have grown at an average rate of 28 per cent per annum in the past five years. The sector now accounts for 16 per cent of GDP compared to 13 per cent for sugar and for 60 per cent of export earnings compared to 33 per cent for sugar.

67. A bold decision by Mauritius in the late 1970s and early 1980s to implement a stabilization and adjustment programme, aimed at tackling the structural imbalances in the economy and reforming the system of incentives, yielded results. Measures introduced included improvements in domestic and external resource balance, through efficient demand management, far-reaching reforms to the incentives system, curbs in credit expansion and introduction of positive real rates of interest, realistic and flexible exchange rate system, prudent wage policies and fiscal management, and incentives.

68. The frequency distribution of African countries, according to GDP growth rates, shows that countries enjoying non-negative growth rates has increased during the programme period.

Table 3

Frequency distribution of African countries according to GDP growth rates 1987-1989

| Growth | 1987 | 1988 | 1989 |
|---|---|---|---|
| Negative | 15 | 8 | 4 |
| 0 - 3 | 13 | 18 | 15 |
| 3 - 4 | 8 | 4 | 18 |
| 4 and above | 14 | 20 | 13 |

Source: ECA secretariat.

Table 3 above shows that whereas 15 out of 50 African countries registered negative growth rates in 1987, only four did in 1989. Between 1987 and 1989 the number of countries recording improved growth performance (above zero to 4 per cent) increased from 21 to 33. The fact that 1988 was a good year for agriculture (see below) helped to raise the number of countries with growth rates above 4 per cent to 20, compared with 13 in 1989 and 14 in 1987. The dominance of agriculture in African economies makes the sector's contribution an important factor in GDP. The high dependence of countries on rain-fed agriculture makes the sector's output and, therefore, GDP growth rates highly variable. However, the improved performance of African economies is not only due to better weather conditions. Improved policies toward the sector, in particular improved incentives to farmers, deregulation of domestic trade and decontrol of food prices have been important contributing factors.

## 2. Sectoral developments

### (a) Food and agriculture

69. One of the immediate objectives of the Programme of Action was to increase substantially productivity in all sectors, particularly the central sectors of food and agriculture.

70. Agricultural production (including fishing, livestock, and forestry) has increased steadily during the Programme period. Value added in agriculture rose from 1.5 per cent in 1987 to 3.1 per cent in 1989. East and Southern as well as North Africa had above average results in 1989. Non-Sahelian West Africa also showed good results. The cereals subsector did particularly well in 1989, compared with output levels in 1987.

Table 4

Growth in agricultural value added by subregion and economic grouping 1987-1989
(in percentages)

| | 1987 | 1988 | 1989 |
|---|---|---|---|
| North Africa | 1.7 | 0.8 | 3.4 |
| Central Africa | 0.6 | 3.3 | 1.6 |
| East and Southern Africa | 2.8 | 2.5 | 4.1 |
| West Africa | 1.2 | 3.7 | 2.9 |
| OPEC members | 2.7 | 2.0 | 2.8 |
| Oil exporters | 2.9 | 1.2 | 2.5 |
| Non-oil exporters | -2.8 | 6.6 | 4.3 |
| LDCs | 2.8 | 2.7 | 3.0 |
| Developing Africa | 1.5 | 2.8 | 3.1 |

Source: ECA secretariat.

71. A number of countries were able to build up surplus stocks. The increase was mainly due to good weather conditions and farmers' response to improved incentives. However, cereals production in the nine member countries of the Inter-State Committee for the Control of Drought (CILSS) declined by 9 per cent in 1989 from the record harvest of the preceding year. Production in these areas has been influenced by drought, locust infestation, and civil strife. Drought conditions and poor harvests have returned to parts of Ethiopia, Somalia, Sudan and Angola where critical food shortages have again emerged.

72. Apart from cocoa where production declined, and tobacco which stagnated, most export crops increased. Coffee, cotton, tea and sugar production rose in spite of sharp declines in producer prices, reflecting much weakened international prices. Côte d'Ivoire for example cut cocoa producer prices by 50 per cent and 40 per cent respectively in 1988 and 1989.

(b) Manufacturing

73. Manufacturing output growth accelerated moderately from 2.6 per cent in 1987 to 4.3 per cent in 1988 and to almost 5 per cent in 1989. Growth performance varied greatly among the subregions. The East, Southern, West and North African subregions registered growth rates averaging 5 per cent in 1989 compared with 3.8 per cent in 1987. These were also the areas with a relatively more diversified industrial base. In Zimbabwe for example, domestic demand accounted for some 65 per cent of total growth in manufacturing value added. In Kenya the percentage was 70. The Central African subregion, which has the least developed industrial base, recorded growth rates of 2.2 per cent and -7.4 per cent in comparable years.

Table 5

Indicators of manufacturing sector performance in developing Africa
(Percentages)

| | Contribution of manufacturing to GDP | | Growth Rates | | |
|---|---|---|---|---|---|
| | 1987 | 1989 | 1987 | 1988 | 1989 |
| North Africa | 11.9 | 12.5 | 1.9 | 4.5 | 5.4 |
| Central Africa | 6.6 | 6.6 | -7.4 | 0.3 | 2.2 |
| East and Southern Africa | 14.1 | 14.4 | 5.5 | 3.9 | 5.1 |
| West Africa | 10.7 | 11.0 | 4.1 | 5.0 | 4.6 |
| OPEC members | 29.0 | 30.0 | 1.2 | 3.5 | 6.1 |
| Oil exporters | 10.8 | 11.3 | 1.9 | 3.9 | 5.6 |
| Non-oil exporters | 11.9 | 12.2 | 3.8 | 5.0 | 3.8 |
| LDCs | 8.8 | 9.0 | 5.5 | 4.9 | 3.8 |
| Developing Africa | 11.2 | 11.6 | 2.6 | 4.3 | 4.9 |

Source: ECA Secretariat.

74. However, manufacturing industry continues to face difficulties. In some countries such as Ghana, there are reports that capacity utilization is being constrained by low demand, dumping of low-quality and fake goods, and difficulties of market access even within the ECOWAS economic grouping. In some other cases, such as North Africa, the enlargement of the EEC has affected exports of textiles and processed foods and further difficulties are expected after 1992 in spite of claims by the EEC to the contrary. Morocco has been particularly affected by extra tariffs on agricultural exports to the EEC. On the other hand, despite the bold measures introduced to rationalize and improve the investment climate, foreign private investment has not responded in any significant measure. As a result, even the relatively more diversified countries such as Kenya and Zimbabwe lack the technological innovations that could make their industries more competitive.

(c) Mining

75. Although sections of the mining industry are beginning to respond to the improvement in mineral prices in the late 1980s, mining production has remained generally low. In terms of production, the ECA index of non-fuel minerals (based on 1982 commodity production shares) rose by 2.1 per cent in 1989 compared with 3 per cent in 1988. The slow growth in production - except in a few countries such as Ghana (gold), and Botswana (diamonds) - has been due to low prospecting and mine development expenditures in the past two decades as well as to structural rigidities and supply difficulties. State participation in mines in the mid-1960s and 1970s discouraged further prospecting and development by foreign investors. Most mines and equipment ran down during the period of depressed prices and have not as yet been fully rehabilitated to take advantage of the improved prices.

(d) Other sectors

76. It goes without saying that efficient economic management and adequate physical, social and institutional infrastructure must complement each other in the drive towards improved overall economic performance and the regional level. However, recent efforts especially during the Programme period have paid greater attention to the former set of priorities. It is now generally acknowledged that the first generation of World Bank-IMF structural adjustment programmes have neglected the social infrastructure, health and human resources development. The brunt of fiscal restraint, which is a major plank of structural adjustment policies being pursued, has fallen mainly on the social infrastructure (health, education, and transport and communication). There has been actual regression in these sectors in many countries. A pervasive lack of repair and maintenance of roads, almost total neglect of rural roads which must link the agricultural centres to their markets and sources of inputs are common features of African countries. Standards of education, health and nutrition have fallen, and diseases like malaria are re-emerging in more virulent strains. Lately, both the multilateral institutions and the African countries have realized that attention needs to be paid to these sectors. Some efforts have begun in these areas, but these sectors now need to engage the serious attention of countries with the support of the World Bank and IMF.

## III. REVIEW OF IMPLEMENTATION OF THE UN-PAAERD BY THE INTERNATIONAL COMMUNITY, INCLUDING THE UNITED NATIONS SYSTEM

77. While African Governments affirmed their primary responsibility for the region's future development, the international community for its part recognized that external factors such as sluggish world growth and weak demand for Africa's exports, low commodity prices, deteriorating terms of trade, reduced capital flows, and high levels of debt and debt service which aggravate the African situation needed to be addressed. In this connection, they aimed to ensure an external economic environment which would be supportive of efforts by African Governments and provide the necessary additional resource support.

78. This section of the report, which is a follow-up to the secretariat's earlier report (TD/B/1182) on the interaction between the external environment and the efforts of African countries in the implementation of the UN-PAAERD, examines the evolution of some of the main elements of the external economic environment - i.e. commodity trade and prices, access to markets, terms of trade, balance of payments, resource flows and debt.

### A. Developments in commodity markets and international action on commodities

#### 1. Changes in world trade

79. Changes in the international economic environment are generally transmitted to developing countries through trade. For many African countries with high dependence on exports of one or two commodities, the effects of these changes on prices of their exports can be far-reaching. During the first half of the 1980s, world trade expansion averaged 3.2 per cent per annum, and performance among developed market-economy countries varied widely.

80. In the period following the establishment of the UN-PAAERD (1986-1990) there has been both a convergence in growth performance and a higher level of trade, averaging 7.5 per cent per annum. In the EEC, which is the main market for Africa's products, import volumes grew at 7.8 per cent per annum in 1985-1989 compared with 2.5 per cent in the preceding five years. Growth rates in Japan were even higher - 10 per cent compared with 1.9 per cent for the respective periods. Yet Africa's export performance has remained weak, and uninspiring throughout the period compared to other developing regions (table 6 below). North African countries performed somewhat better than the Sub-Saharan African countries.

#### 2. Commodity prices and market conditions

81. The apparent paradox of Africa's falling export revenues when the volume of world trade is expanding can be explained by a number of factors. Principal among these are the continued weak prices of some commodities, aggravated recently by the total collapse of coffee and cocoa prices, the continued supply overhang in some commodity markets and the significant loss of market shares by Africa in its traditional exports.

Table 6

Growth of Import and Export Volumes in Selected Groups of Countries 1980-1989
(percentages)

| | 1980-1985 annual average | 1985-1989 annual average |
|---|---|---|
| Imports into | | |
| World | 3.2 | 7.1 |
| Developed market-economy countries | 3.2 | 7.5 |
| EEC | 2.5 | 7.8 |
| Japan | 1.9 | 10.0 |
| United States of America | 7.7 | 5.5 |
| Developing countries | 0.4 | 6.2 |
| Africa | 1.5 | 1.2 |
| North Africa | 3.5 | 2.4 |
| Sub-Saharan Africa | -1.7 | -1.2 |
| Exports from | | |
| All developing countries | -1.2 | 9.5 |
| Africa | -4.1 | 2.5 |
| North Africa | -4.9 | 5.0 |
| Sub-Saharan Africa | -3.7 | 0.8 |
| Asia | 5.5 | 8.9 |
| West Asia | -12.3 | 11.4 |
| South and South-East Asia | 7.4 | 15.0 |
| Latin America | 3.7 | 2.8 |

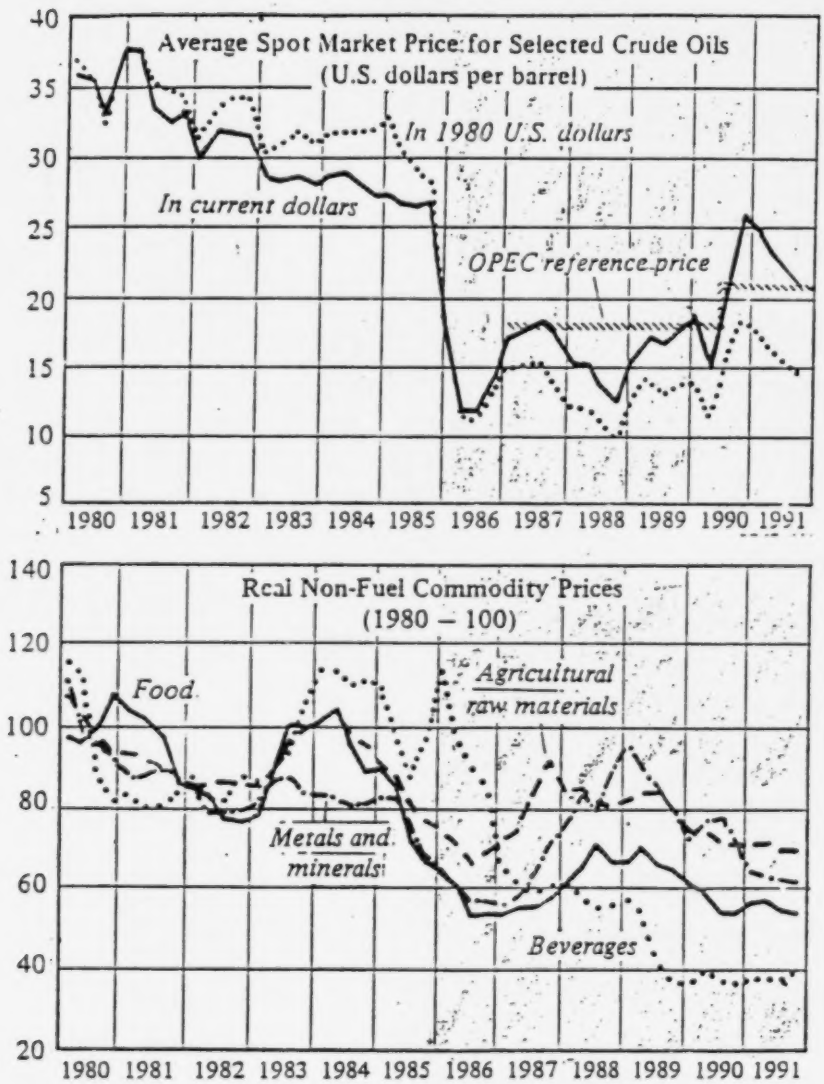
Source: UNCTAD secretariat.

(a) Crude oil

82. Crude oil prices and market conditions have been subject to wide fluctuations since the establishment of the Programme of Action, causing enormous adjustment problems for both importing and exporting countries in Africa (Chart II). Following a precipitous fall in prices when spot market prices for representative crude oils fell from between $27 and $31 per barrel in late 1985 to between $11 and $12 in July 1986, prices recovered substantially in the rest of 1986 and 1987. It is estimated that average prices received by the major exporters fell by 50 per cent in nominal United States dollar terms in this period and recovered only by 28.5 per cent to about $17.10 per barrel in 1987. With the substantial depreciation of the United States dollar during this period, real prices are estimated to have dropped by 56 per cent in 1986 and recovered by 16 per cent in 1987. The average price in 1987, in real terms, was 4 per cent lower than 1978. After

Chart II

World Commodity Prices




Source: IMF

dipping again sharply in 1988, oil prices strengthened again in 1989 but remained volatile in the first half of 1990. The average spot price fluctuated between $14.3 and $19.6 per barrel between April 1989 and June 1990. With the onset of the Persian Gulf crisis, however, prices have fluctuated at much higher levels. The average spot price shot up to $22 per barrel on 2 August 1990, and has since fluctuated between $21 and around $40 per barrel (end of 1990).

(b) Non-oil commodities

83. Although non-oil commodity prices improved somewhat during the Programme period, this improvement is characterized by two features. Firstly, it was much below the levels attained in the 1970s. Secondly, it was limited only to certain commodity groups. The most significant turn-around occurred in prices of mineral ores and metals, where the average annual increase in prices in 1986-1989, was 16 per cent compared with a decline of 3.4 per cent per annum in the preceding five years. Both the food (mainly sugar) and vegetable oils subgroups recovered substantially as did the agricultural raw materials (table 8 and Chart II). The most severe declines occurred in coffee and cocoa prices which collapsed under the pressure of abundant supplies and failure of the relevant commodity agreements.

84. The international cocoa market has been subject to substantial structural influences in the past decade, with profound implications for the leading African producers. Persistent oversupply, characterized by unprecedented high levels of stocks and historically low prices, has persisted throughout the period. On the other hand, demand for cocoa has shown a steady and rapid growth compared with most other commodities. However, African producers have failed to take advantage of this growth and have lost market shares to producers from other regions. Moreover, while sources of supply have become more diversified, the market for cocoa beans has become more concentrated in the hands of a few major manufacturers as a result of mergers and takeovers.

85. The sharp drop in prices and earnings arose from three main causes: global oversupply, failure of the price support mechanisms under the International Cocoa Agreement (ICCA) to cope with the situation, and Africa's diminishing share of the world cocoa market. The main factors influencing demand and supply of cocoa have been analysed in the secretariat's previous reports, notably TD/B/1182.

86. A recent UNCTAD/ICCO study (UNCTAD/COM/5) 18/ also notes that during the past 15 years there has been a gradual reduction in stockholdings by consumers. This trend has been attributed to more efficient stock management, higher interest rates, generally abundant supply availability and the high levels of buffer stock holdings close to the markets.

87. Like coffee, cocoa accounts for an important share of non-oil export earnings of a number of African countries: 58 per cent for Ghana, 35 per cent for Côte d'Ivoire, 24 per cent for Cameroon and 2 per cent for Nigeria in 1986. African producers also accounted for 56 per cent of world production during the period 1986/87-1988/89. During this period, African production increased by 26 per cent. However, between 1985 and 1989, prices dropped from £2,000 sterling per ton to £850, with a corresponding loss in earnings of £1.9 billion. This sharp drop in earnings has serious implications of producers undertaking major adjustment measures.

88. On 3 July 1989, the International Coffee Council decided to extend the International Coffee Agreement for two years while at the same time it suspended quotas. The suspension of quotas triggered a sharp fall in prices under pressure of supplies which had accumulated when quotas were in force. Exports increased by 24 per cent in the second half of 1989 alone, and prices dropped by 50 per cent. There was a minor recovery in prices but to levels very much below the average for the three preceding years.

89. The stocks/consumption ratios given in table 7, show that for both cocoa and coffee, substantial stocks exist - 92 per cent for coffee and 50 per cent for cocoa in 1988/89. In these circumstances, the economic measures provided for in the ICCA could not cope without a substantial review of prices. Meanwhile, most producers continued to look on the ICCA as an instrument to protect their incomes from cocoa, while consumer perception of the objective of the Agreement has shifted away from income support to a desire to achieve orderly market conditions which would minimize price fluctuations without interfering with market trends. This significant difference of perceptions led, inter alia, to the failure to agree on action to tackle the oversupply problem. The virtual collapse of the ICCA precipitated the sharp drop in prices to their lowest levels in 14 years.

Table 7

Stocks/utilization ratios a/ of selected non-fuel commodities, 1985/86-1988/90

| | 1985/86 | 1986/87 | 1987/88 | 1988/89 |
|---|---|---|---|---|
| | (Percentages) | | | |
| Cereals | 27 | 28 | 24 | 17 |
| Wheat | 34 | 34 | 27 | 21 |
| Maize | 34 | 35 | 31 | 16 |
| Rice | 17 | 16 | 13 | 13 |
| Sugar | 26 | 23 | 20 | 20 |
| Beverages | | | | |
| Coffee | 74 | 82 | 90 | 92 |
| Cocoa | 35 | 39 | 45 | 50 |
| Raw materials | | | | |
| Cotton | 63 | 42 | 39 | 42 |
| | | 1986 | 1987 | 1988 |
| Minerals and Metals (Calendar years) | | (No. of weeks stocks) | | |
| Copper | | 4.5 | 2.4 | 2.1 |
| Aluminium | | 6.4 | 4.5 | 4.8 |
| Tin (commercial stocks, tons) | | 13.3 | 8.0 | 5.6 |
| (US strategic stocks, tons) | | 180.0 | 176.0 | 175.0 |
| Nickel | | 8.2 | 5.4 | 4.9 |
| Zinc | | 4.6 | 3.8 | 3.3 |
| Lead | | 3.8 | 3.6 | 3.6 |

Source: IMF.

a/ Ratio of marketing year ending stocks to utilization.

90. The food and vegetable oils subgroups enjoyed better price conditions in the Programme period. However, the most significant improvement in prices and market conditions occurred in mineral ores and metals. From an average annual decline of 3.4 per cent, prices rose by 15.8 per cent per annum in 1986-1989. There was an almost four-fold increase in copper prices between 1986 and 1989 helped by a sudden increase in demand and low stock levels especially in 1988 and 1989. However, major African producers such as Zambia and Zaire were unable to take full advantage of the spectacular price rise, because of structural problems. Similarly, aluminium prices rose sharply between 1986 and 1988, but have since dropped to lower levels - although the levels are still higher than before the UN-PAAERD. Prices of nickel, zinc and tin also rose, but less sharply than for copper and aluminium. Prices of phosphate rock, important for Morocco and Togo, also recovered somewhat after a significant drop in 1987.

91. On the whole, prices and market conditions for Africa's leading commodities were mixed during the period under review. Beverages except tea experienced disastrous market conditions resulting in substantial loss of earnings, while the food items (sugar) and the agricultural raw materials (cotton, tropical hardwoods) did better. The mineral ores and metals enjoyed improved prices, although African producers were unable to take advantage.

Table 8

Trends in monthly market prices of selected primary commodities
(annual average rate in per cent)

| | In current dollars | | In constant 1980 dollars | |
|---|---|---|---|---|
| | 1980-85 (1) | 1986-89 (2) | 1980-85 (3) | 1986-89 a/ (4) |
| Total food | -11.2 | 7.8 | -8.3 | 0.3 |
| Food and tropical beverages | -12.6 | 7.1 | -9.7 | -0.5 |
| Tropical beverages | -1.2 | -15.4 | 1.7 | -22.9 |
| Food | -16.1 | 14.9 | -13.3 | 7.3 |
| Vegetable oils | -0.3 | 15.8 | 2.6 | 8.2 |
| Agricultural raw materials | -4.8 | 9.1 | -2.0 | 1.6 |
| Minerals ores and metals | -6.3 | 23.4 | -3.4 | 15.8 |
| All commodities | | | | |
| In current dollars | -9.3 | 11.7 | -6.4 | 4.1 |
| In terms of SDRs | -4.5 | 7.5 | -1.6 | -0.1 |

Source: UNCTAD secretariat.

a/ Prices for 1989 are for the first 7 months.

### 3. International co-operation on commodity issues

92. TD/B/1182 (paras. 59-64) described progress on international co-operation in the area of commodities. Since then the situation has deteriorated. It can be said that international co-operation on commodity issues is now at its lowest point since the 1960s. However, the actual coming into operation of the Common Fund for Commodities, where efforts are being made to initiate some concrete action within the context of the Second Account, is an encouraging development.

93. Following a request by the Assembly of Heads of State and Government of the Organization of African Unity, the General Assembly of the United Nations agreed that the Secretary-General of the United Nations establish a high level group of experts to examine Africa's commodity problems and to make recommendations. This request was made in the context of the UN-PAAERD, and the General Assembly's mid-term review and appraisal of the implementation of the Programme. The group, established under the Chairmanship of the Rt. Hon. Mr. Malcolm Fraser, former Prime Minister of Australia, comprised eminent personalities with backgrounds in politics, diplomacy and international relations, industry, banking and academic life. Its report 19/ was presented to the Secretary-General of the United Nations in June 1990, and to the General Assembly at its forty-fifth session.

94. The General Assembly, having taken note of the report and having considered the comments of African governments on it (in a document entitled "Africa's Common Position"), decided to request a number of actions (cf. General Assembly resolution A/45/178 B).

95. These actions include a request to the United Nations Secretary-General, in consultation with the OAU, interested Governments, multilateral financial institutions and regional development funds, to include in his report to the forty-sixth session of the General Assembly, proposals on how to support Africa's efforts at diversification, including the means of mobilizing sufficient resources on favourable terms from the international community, and measures to enhance domestic and foreign investment and enterprise. The Secretary-General is also requested to include in his report a study on how diversification in Africa can be implemented at the national, subregional, and regional levels, taking into account the report of the United Nations Secretary General's Expert Group on Africa's Commodity Problems. The international community and regional development banks, specifically the African Development Bank, are also invited to consider the issue of diversification as an important element in Africa's economic development and to support diversification efforts, bearing in mind the relevant operational mechanisms.

### 4. Diversification

#### Capacity of the African countries to process, market and distribute commodities

96. In terms of reduction in dependency on commodities for export earnings, the 1980s can, in some respects, be considered a decade of stagnation or even reverses for most African countries. All African countries, except Mauritius

and Tunisia, continued to depend on commodities for over half of their export income, and four fifths even for over 80 per cent. One or two commodities still provide over half of export income in nearly three quarters of African countries. For several countries, coffee has become increasingly important, and in several West-African countries the role of cotton for export earnings has become pivotal. During the 1980s, 25 out of 38 African countries for which data were available have increased their dependence on commodities and on their two main commodities, or have seen little change in their generally high dependency. Several countries (including Mozambique, Sudan, Togo and Zaire) saw earlier gains in the 1970s in reducing commodity dependence virtually or completely eliminated in the 1980s.

97. Support given to African countries to diversify within and outside the commodity sector has been limited. Neither the World Bank nor the International Finance Corporation had a single African country among its top five recipients of commodity export-oriented diversification lending in the 1980s (see TD/B/C.1/AC/12, table 2). Instead, a large part of diversification lending went to large, relatively advanced developing countries in other regions, which were thus helped to expand their export of commodities (especially cocoa, coffee, rubber and palm oil), often in direct competition with African exporters. The price falls on the world market resulting from excess supplies have in many cases severely eroded export incomes of African countries.

98. Conditions for diversification have worsened in many African countries during the past decade. Budget problems have often caused basic infrastructure to deteriorate, making these countries even less competitive on the world market. The long-term effects of cut-backs in education expenditure and research and development on future diversification potential can expect to be very negative. Nevertheless, in recent years some generally small but positive progress was made in several countries in developing the export of non-traditional products such as fruits, vegetables and flowers: in Uganda, these now make up some 15 per cent of total exports, in United Republic of Tanzania 40 per cent as of 1988. Several other countries, including Kenya, Côte d'Ivoire, Ghana and Zambia, are exploiting this option, with exports that are still very modest compared to their traditional exports but growing rapidly. These newly developed non-traditional exports are in general additional to existing exports.

99. In this regard, considerable potential exists in exports of horticultural products, especially tropical fruits, which were the third most important category of agricultural exports in developing countries in 1983-1985. For a number of countries the share of horticultural exports was as much as 25 per cent. Developing countries' share of the global trade in horticultural products has continued to increase in the period 1975-1985, reaching 37 per cent in 1983-1985 with an absolute value of $9 billion. However, only Africa among the developing regions experienced large declines in exports (3 per cent per annum between 1970-1972 and 1983-1985). Morocco, the largest exporter of horticultural products, accounting for 46 per cent of regional exports, together with Algeria experienced substantial declines between 1970-1972 and 1983-1985, although countries such as Kenya increased the real value of their exports.

100. A recent study 20/ finds that factors responsible for Africa's weak performance in horticultural export markets in the period include loss of market shares, concentration on markets with weak demand growth (Europe) instead of fast-growing markets such as Japan and the United States, and lack of competitiveness. However, African countries have begun to expand exports of these products, and the region stands to make substantial gains in earnings if tariff and non-tariff barriers in importing countries are eased.

101. For minerals, progress has been very small in most countries. Mining companies have held back on investment in Africa because of natural, infrastructural and political disadvantages compared to sites in Asia and Latin America, while small-scale and medium-scale artisanal mining enterprises generally continued to be hampered by unfavourable government policies (although recently some improvement is visible, e.g. Zambia's liberalization of gem stone marketing and Ghana's small-scale gold mining sector). Considerable headway has been made in the fisheries sector, but often a large part of the resulting foreign exchange earnings (e.g. some 80 per cent in Mauritania) is lost in payment for foreign factor costs, due to very limited backward and forward linkages with the rest of the economy (see TD/B/C.1/312).

102. In several countries, the capacity to market produce has been affected by inability to utilize the information and to mobilize the investment funds needed to make use of opportunities to develop non-traditional exports, despite the efforts undertaken by the international community to improve information flows and strengthen investment support. Efforts to improve access to information include ITC's Market News Service, UNIDO's Industrial and Technological Information Bank and several other multilateral and bilateral efforts (see TD/B/C.1/11, and, specifically for ITC, "ITC activities in commodities", April 1990). Investment support includes such activities as those of the ACP/EEC Centre for the Development of Industry and the Commonwealth Fund for Technical Co-operation promoting small-scale projects, UNIDO's investment forums, the activities of the African Development Bank, and other multilateral and bilateral projects (see TD/B/C.1/12).

103. Pre-export processing of commodities, in order to increase local value added, promises potentially high returns in export earnings, but is poorly developed in most African countries. Whereas in Brazil, for example, less than half the cocoa is exported in the form of cocoa beans, in all African countries this percentage exceeds 80 per cent; most sugar and wood are also exported in primary form (see TD/B/C.1/AC/6, tables 1 to 14). The need for expanded activities in this field has been stressed, inter alia, in the latest Lomé Convention (ACP-EEC Convention of Lomé, March 1990, arts. 70 and 81). It is hoped that the Second Account of the Common Fund can provide support for the research necessary to promote the development of new products, including in processed forms, from their commodities.

5. Market access conditions for African exports

104. The period 1986-1990 was characterized by two main developments regarding market access conditions for African exports, namely the renegotiation of the Lomé Convention (Lomé IV) and the ongoing Uruguay Round multilateral trade negotiations. In both areas the UNCTAD secretariat has been and is providing technical support to African countries participating in the negotiations.

105. Lomé IV has a validity of 10 years, expiring on 1 March 2000. The market access conditions are broadly similar to earlier Conventions but include new concessions on agricultural products. 21/

106. Except for agricultural products subject to the common agricultural policy (CAP) or to specific rules introduced as a result of the CAP, imports by the Community from ACP States are made free of customs duties and without any quantitative restrictions or measures having equivalent effect. For CAP products the Community guarantees ACP States more favourable treatment than that granted on an MFN basis, having regard also to concessions granted to third developing countries.

107. The products subject to CAP represent about 10 per cent of total imports by the Community from ACP States and include sugar (major item); beef and veal; fishery products; oils and fats; cereals; rice; fruits and vegetables; certain sugar confectionery; cocoa preparations, preparations of flour meal and certain food preparations; raw tobacco, flax and hemp; hops; live trees and other plants; bulbs, roots and the like, cut flowers, seeds; etc. (See EEC Regulation No. 1599/75.)

108. Preferential imports are subject to safeguard measures, in general after prior consultation, except under special circumstances. Rules of origin have also been relaxed to a certain extent.

109. Table 9 gives an indication of post-Tokyo Round effective tariffs applied by developed countries on horticultural imports from developing countries. In general, tariffs vary according to product, season, and country of origin. They also depend upon specific requirements such as packaging, sugar content, other ingredients, and the stage of processing.

Table 9

Effective tariffs in developed countries - post Tokyo Round

| Country/ country grouping | Vegetables | | Fruits | |
|---|---|---|---|---|
| | Fresh | Processed | Fresh | Processed |
| | (per cent) | | | |
| EEC | 6.7 | 15.1 | 7.7 | 16.6 |
| Japan | 9.0 | 17.5 | 21.5 | 21.8 |
| United States | 7.6 | 11.0 | 1.1 | 20.3 |
| Other developed countries | 0.1-14.0 | 5.7-14.6 | 0.0-10.7 | 0.7-13.7 |

Source: Alexander Yeats, "The escalation of trade barriers", in The Uruguay Round: A Handbook on the Multilateral Trade Negotiations, ed. Michael J. Finger and Andrzej Olechowski (World Bank, Washington, D.C.).

110. Imports of agricultural products are also often affected by a wide range of non-tariff barriers such as quotas, voluntary export restraints (VERs), variable levies, minimum price systems, countervailing taxes and duties, technical (especially phytosanitary) regulations, and even bureaucratic delays and uncertainties. The following are examples 22/ of products subject to quota restrictions in the European Community (GATT 1988) and other developed market-economy countries (GATT 1988):

| Product | Country |
|---|---|
| Bananas | France, United Kingdom, Italy, Portugal, Spain, Greece |
| Other tropical fruit, fresh | Spain, France, Greece |
| Other fruit, provisionally preserved fruit, jams, marmalades and prepared fruits | Portugal |
| Certain fruit juices | Portugal, France, Italy |

The quota system for agricultural products in Japan provides for the imposition of import quotas on oranges and tangerines (fresh and provisionally preserved), citrus fruit juices (excluding of lemon, lime and grapefruit), */ and certain dried beans and leguminous vegetables. A system of import quotas of sugar was in effect in the United States until 1 October 1990. It was replaced by a tariff quota system under which country-by-country allocations based on historical trade flows are made for quantities of sugar which can be imported at the prevailing tariff rate. +/ Finland applies global quotas on pineapple juice and juice of other fruit and maintains seasonal quotas for imports of fresh bananas in cartons during the period June-December.

111. In spite of claims reportedly enjoyed by African countries, a number of recent comments show that the process of diversification can still benefit from a more favourable outcome from the Uruguay Round. During the Second United Nations Conference on the Least Developed Countries, the Director-General of GATT in his address to the Conference stated 23/ (in reference to the LDCs),

> "It is clear that their existing or potential exports are often hit by administrative protection in major markets"

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*/ The Government of Japan announced that import quotas of fresh oranges will be removed as from 1 April 1991 and those of orange juices (concentrated, single-strength and mixtures) as from 1 April 1992. Import quotas for citrus fruit puree and paste and for citrus fruit pulp as well as for preserved pineapples were eliminated on 1 April 1990.

+/ The duty rate within quota was maintained at 0.625 cents per pound, while the rate for quantities above the quota was set at 16 cents per pound.

Also in reference to the report of the United Nations Secretary-General's Expert Group on African Commodities, the Director-General of GATT said,

> "The Fraser Report on Africa's Commodity Problems emphasizes the need for improved market access and specifically refers to the results that must flow from the Uruguay Round in this area. I could not agree more. In fact, to go further, what is true of Africa is also true of the rest of this group of countries."

112. Table 10 below shows possible gains in export earnings that may result from trade liberalization by removing tariff and non-tariff barriers 1983-1985. Even though these figures relate to potential export earnings of all developing regions, African countries, given the appropriate export diversification and other policies, can expect to gain substantially in export earnings from liberalization of trade in these products.

Table 10

Increase in export earnings resulting from removal of tariff and non-tariff barriers, 1983-1985

| Commodity group | Import elasticity | Export Elasticity 0.5 | Export Elasticity 1.0 |
|---|---|---|---|
| | | ($US million) | |
| With tariffs removed | | | |
| Total fruits and vegetables (processed and unprocessed) | -0.5 | 573 | 612 |
| | -1.0 | 712 | 852 |
| With non-tariff barriers removed | | | |
| Total fruits and vegetables (processed and unprocessed) | -0.5 | 2 221 | 2 149 |
| | -1.0 | 2 979 | 3 267 |

Source: Nurul Islam, op cit., table 23 (p. 57).

113. On the other hand, there is the likely danger of a negative impact due to the erosion of preferences. Analysis of preliminary offers of tariff concessions in tropical products reveals that African countries could suffer a loss of market share in some of the major markets, particularly the EEC market, from the erosion of preferences. 24/ In the case of agricultural products, in general, it is too early to say what the outcome will be, but some simulation analyses tend to suggest that liberalization of temperate zone agricultural products would lead to substantially higher prices for basic foodstuffs. Since Africa is a food deficit region highly dependent on imports, higher prices could exacerbate the food security situation of the

region in the short to medium term. 25/ On the other hand, higher prices for imported foodstuffs could make African production more competitive, and enhance the region's prospects for food self-sufficiency. With regard to natural resource-based products, it is not clear at this juncture what the outcome will be concerning market access opportunities for African countries. Preliminary analysis suggests that because of erosion of preferences it is likely that overall, in this category of products, Africa would also experience a loss in market share.

## 6. Terms of trade

114. Table 11 below gives the main movements of indices relating to Africa's terms of trade in the UN-PAAERD period, compared with the earlier half of the decade. Both the region's terms of trade and the purchasing power of exports declined markedly during the Programme period. While the quantum index of exports increased by some 6 percentage points, the unit value index dropped 26 points. At the same time, the unit value of Africa's imports rose by nearly 11 percentage points against a 4 percentage points decrease. These movements caused further deterioration in the terms of trade which declined by a third during the period. The purchasing power of Africa's exports fell sharply, averaging only 52 per cent in 1986-1989 compared with 76 per cent in 1981-1985.

Table 11

Terms of trade
(1980 = 100)

| | Averages | |
|---|---|---|
| | 1981-1985 | 1986-1989 |
| Exports | | |
| Value | 68.1 | 52.3 |
| Unit value | 89.8 | 63.7 |
| Quantum | 75.9 | 82.2 |
| Imports | | |
| Value | 92.3 | 79.5 |
| Unit value | 89.9 | 100.7 |
| Quantum | 83.1 | 79.1 |
| Terms of trade | 97.7 | 63.4 |
| Purchasing power of exports | 75.7 | 52.5 |

Source: UNCTAD secretariat.

7. Balance-of-payments

115. Even though the region's export performance in quantum terms improved somewhat in the Programme period, the continued low prices received for most of its non-oil commodity exports meant that there was virtually no change in the overall balance-of-payments position. The average annual trade balance of a modest $0.6 billion in 1982-1985 was turned into deficits averaging $3.7 billion per annum in 1986-1988. An improvement in services exports and a modest increase in private transfers, however, enabled the region's balance-of-payments deficit to remain at virtually the same level in 1986-1988 as in 1982-1985. In effect, the external account showed no improvement at the regional level during the Programme period. According to the International Monetary Fund World Economic Outlook of October 1990, the region's current account situation was $-5.1 billion in 1987 and $-10.3 billion in 1988 and $-8.9 billion in 1989, and estimated to be $-9.1 billion in 1990.

## B. Resources flows and debt

116. In the context of the UN-PAAERD, the international community agreed to bring full support to Africa's efforts to implement Africa's Priority Programme for Economic Recovery (APPER) 1986-1990, notably by providing sufficient resources to complement African countries domestic resources. The international community also agreed on the importance of increasing official development assistance to Africa and improving its quality and its effectiveness. It also agreed to assist African countries in their efforts to deal with the financial constraints resulting from their debt burden.

117. This section will review the flows of external financial resources to African countries and the actions taken by creditor countries to alleviate the debt burden during the period 1986-1990, in the light of the recommendations made in the context of the UN-PAAERD.

### 1. Financial flows

#### (a) Trends in overall flows

118. Despite strenuous efforts and special donors' initiatives to mobilize additional resources in view of the region's rapidly deteriorating economic plight, net resource flows to Africa in real terms were on a declining trend during the period under review (1986-1989). Compared with the high level of resource flows reached in 1981/1982, this decline is even more pronounced. This was mainly due to the disappearance of new export credits and rapidly increasing debt-service payments, although official flows have also been reduced in 1989.

119. As can be seen from annex table 2, net financial flows to African countries in real terms have actually stagnated at around the level of $18 billion since 1987. In the case of sub-Saharan Africa, net resource flows in constant terms increased in 1986 as a result of emergency aid, mainly in response to the economic setback resulting from adverse climatic conditions during that year. Since 1986, these flows have followed a declining trend and by 1989 were some 6 per cent below the level reached in 1986 (annex table 3).

120. The two notable features of resource transfers to African countries during that period are the important role played by official flows - which, towards the end of the decade, represented almost the totality of flows - and the switch to concessional flows. The virtual disappearance of export credits and international bank lending reflected the incapacity of African countries to attract flows on non-concessional terms. Net flows of foreign direct investment to Africa also remained at very low levels, accounting for only 5 per cent of overall net flows in 1988 - compared to more than 12 per cent in 1982.

121. Although the share of official flows has substantially increased, the volume of these flows remained constant. Official flows in real terms have stabilized around the level of $16 billion since 1985, despite an increase of 50 per cent in nominal terms between 1985 and 1989. Similarly, ODA receipts in constant terms stagnated around $13 billion, although in nominal terms ODA increased from $14 billion in 1985 to $20 billion in 1988. However, ODA flows in real terms to Sub-Saharan African countries have shown some increases since 1988. Regarding the composition of official flows, two factors need to be emphasized. First, non-concessional bilateral flows did not represent new flows but consisted mainly of rescheduled debt within the Paris Club; this also reflected the fact that prior to 1989 most of Paris Club debt of African countries was rescheduled on non-concessional terms. Secondly, technical assistance expenditure represented on average about a third of bilateral ODA; the problem raised by this issue will be discussed later.

122. In addition, the debt crisis contributed to increase the role of debt rescheduling and adjustment lending. The pervasiveness of the debt problem was such that debt rescheduling, once an isolated one-off mechanism designed to overcome a temporary liquidity problem, became an entrenched element of the resource transfers. Concomitant with the increased frequency of debt restructuring, adjustment lending expanded considerably, with a growing volume of external assistance, including debt rescheduling, becoming conditional on the macro-economic performance and structural reforms of recipient countries. Through the process of adjustment lending and its linkage to debt reschedulings, IMF and the World Bank became the main actors in the co-ordination of financial assistance to African countries. In 1989, more than 30 African countries were implementing IMF/World Bank supported stabilization and adjustment programmes.

123. Net resource transfers to Africa in real terms (in 1985 prices and exchange rates), during the period 1986-1989, amounted to $8.4 billion on average per year, falling short of the estimated amount of $9 billion required by the APPER. 26/ However, even these estimates made by the APPER need to be revised upwards, as unfavourable terms of trade and environmental problems entail new unexpected resource demands. Most importantly, the recent crisis in the Persian Gulf which has already had a negative impact on the balance-of-payments of African countries will increase their financial requirements by hundreds of millions of dollars in the near term. Were the situation to deteriorate further, the income losses resulting from reduced commodity exports and increases in the prices of imports will be quite substantial and will need to be adequately compensated. Two African countries, namely Egypt and Sudan, are currently classified in the category of

the most immediately affected countries. Another 20 African countries, 19 of them in the low-income category, are considered to be severely affected by the Persian Gulf crisis. The decision recently taken by IMF to increase and speed up its aid to those countries most adversely affected by the Gulf crisis and rising world oil prices needs to be urgently reinforced by additional contributions from other bilateral and multilateral donors.

(b) International initiatives

(i) Special Programme of Assistance (SPA)

124. The most important international initiative in favour of African countries during the period 1986-1990 was the Special Programme of Assistance (SPA) launched by the World Bank in December 1987. The SPA was originally a three-year (1988-1990) programme set up to help mobilize and co-ordinate quick disbursing and concessional debt relief to support adjustment in the low-income, debt-distressed sub-Saharan countries. 27/ The SPA included five sources of financing: IDA adjustment lending 28/, co-financing and co-ordinated financing from bilateral and other multilateral donors, IDA reflows for alleviation of IBRD debt burden, the IMF's Structural Adjustment Facility (SAF) and Enhanced Structural Adjustment Facility (ESAF) and concessional debt relief. 29/ Concessional debt relief measures covered such measures as ODA debt forgiveness, rescheduling of non-concessional debt within the Paris Club on concessional terms and the World Bank Debt Reduction Facility for buy-back operations on commercial bank debt. These measures will be discussed in more detail in the following section on external debt.

125. The World Bank estimated that within the first SPA, donors and creditors mobilized almost $16 billion in adjustment support (including the value of debt relief). These resources are expected to cover about 95 per cent of balance-of-payments financing needs of SPA-eligible countries. Of the $6 billion pledged by bilateral donors under the programme of co-financing and co-ordinated financing, the World Bank estimated that about half was in addition to assistance already planned for the recipient countries. 30/ Another contribution of the SPA was the strengthening of the donor co-ordination process through the close collaboration between IMF and the World Bank which, in the framework of the SAF and ESAF, assisted the recipient countries' authorities to prepare the policy framework paper (PFP). The PFP sets out medium-term economic objectives and planned policy measures, as well as financial requirements in support of the adjustment programme, and forms the basis for co-ordination of donors' aid to SPA countries.

126. A number of major problems have been noted in the context of the first SPA. Procurement and disbursement procedures did not offer the best way to provide assistance on an untied basis and to make procurement procedures consistent with recipient countries' trade and exchange reform programmes. Furthermore, SPA is a donor grouping, in which African governments and the broad constituency of interests in Africa do not participate. And finally, the focus of the first SPA, as reflected in the PFP, was on adjustment, rather than the wider and longer-term development framework, including aspects of human resource development, capacity and institution building and environment.

127. Donors have recently agreed on the extension of the SPA for another three-year period (1991-1993). The second SPA aims to assure adjustment support of $22.5 billion for eligible countries. The envisaged adjustment support would be additional to investment or project aid. Sixty per cent of this amount would come from concessional loans and grants (with IMF and the World Bank contributing for an amount equivalent to 15 per cent each and bilateral and other multilateral agencies providing the remaining 30 per cent), and the rest is projected to come from continued concessional debt relief. Bilateral donors had pledged a total of $8 billion under the co-financing programme.

(ii) Structural Adjustment Facility (SAF)

128. The International Monetary Fund established in March 1986 a Structural Adjustment Facility (SAF), which is financed by reflows of trust-fund loans financed by IMF gold sales in the 1970s. Subsequently in 1987 the Enhanced Structural Adjustment Facility (ESAF), financed by special contributions in the form of both loans and grants, was established. Under these two facilities, resources are provided on concessional terms to support medium-term macro-economic and structural adjustment in low-income countries facing protracted balance-of-payments problems. SAF and ESAF together can provide about $12 billion in 10-year credits, with 5 1/2 years of grace, at an interest rate of 0.5 per cent. Sixty-two countries are eligible for access to these facilities, including 34 sub-Saharan African countries.

129. At end-July 1990, the amount committed for African countries under the SAF was SDR 999 million (about 55 per cent of total SAF commitments), of which SDR 961 million were disbursed (about 60 per cent of total SAF disbursements), and total ESAF resources committed to African countries amounted to SDR 1319 million (86 per cent of total ESAF commitments), of which SDR 724 million were disbursed (87 per cent of total ESAF disbursements).

130. Total disbursements from SAF and ESAF amounted roughly to about a third of total resources available under these facilities. For African countries, disbursements from these facilities were not large enough to offset the repurchases resulting from earlier stand-by arrangements, as net repayment to the Fund between 1986 and the second quarter of 1990 amounted to SDR 1903 million. In addition, by mid-1990, five African countries were not able to make repayments and had arrears with IMF. As a result, the net transfer of resources by African countries to IMF noted in TD/B/1822 has persisted throughout the review period. It also appears that the higher conditionality linked with access to ESAF resources has been a deterrent to a broad and rapid use of this facility.

(iii) Fourth Lomé Convention

131. The recently concluded Lomé IV agreement between the European Economic Community (EEC) and the 68 associated African, Caribbean and Pacific (ACP) countries (of which 42 are African countries) provides for a substantial increase in resources over Lomé III. The new agreement commits ECU 12 billion ($14.5 billion) for the period 1990-1995 - a more than 40 per cent increase over Lomé III expenditures. The increase of resources under the STABEX

programme by more than 60 per cent in nominal terms is a welcome development, especially for the many commodity-dependent African countries. The terms of assistance were also improved and new programmes of co-operation were added, notably in the areas of environment and structural adjustment.

132. However, an accurate assessment of the adequacy of resources committed under the new agreement is difficult to make, since two more countries and new programme areas have been included under the agreement. Moreover, STABEX is likely to remain a small programme in relation to the commodity stabilization needs of African countries.

(iv) The Second United Nations Conference on the Least Developed Countries

133. The Conference, convened in September 1990 in Paris, has significantly improved the prospects for increased external financial support for Africa's LDCs. The Programme of Action for the Least Developed Countries for the 1990s, and the accompanying political declaration, represent a constructive consensus between the least developed countries and their development partners. Donors committed themselves to increasing aid targets in recognition of the magnitude of the LDCs development needs and their limited capacity to generate an investible surplus. While stressing the importance of domestic reform in the development process, the Programme of Action emphasizes the indispensable role of a supportive external environment and supportive international action, including substantial and sustained financial flows, a durable solution to the debt problem, and improved access to markets. (For further details, see section D.)

(v) IDA-9

134. Agreement was reached in December 1989 on the ninth replenishment of IDA resources for the three-year period (1991-1993), for an amount equivalent to $15.5 billion. Although in nominal terms, IDA-9 represents an increase of 12 per cent over IDA-8, in real terms the value of resources remains unchanged. With additional countries, such as Nigeria and Angola, becoming eligible for IDA resources, there will probably be further constraints on IDA lending capacity. The level of support to sub-Saharan African countries - currently between 45 and 50 per cent - will be maintained. In the framework of the second SPA, IDA-9 commitments for adjustment support to IDA-only countries in sub-Saharan Africa are programmed at about $2.8 billion during fiscal years 1991-1993.

(c) Aid effectiveness and aid co-ordination

135. Despite the stagnation of official flows to Africa, the African region as a whole received an increasing share of official aid, as compared with other regions. Thus, the share of African recipient countries in total official resource flows increased from 34 per cent in 1985 to about 37 per cent in 1989. ODA per capita amounted to nearly $37 in sub-Saharan Africa, as compared with a level of about $13 for all developing countries. And yet, economic performance was poorer in this region than in other regions:

per capita GDP declined each year by 1.6 per cent on average during the period 1985-1988 and investment to GDP ratios remained at the low level of 15 per cent during that period. Although climatic conditions and the poor performance of world commodity markets contributed in part to these results, questions can be legitimately raised about the effectiveness of aid in the financing of growth and development. Factors affecting aid effectiveness came from both recipient and donor sides.

136. On the recipient side, shortcomings in providing a stable policy environment which would encourage long-term investment and increase its efficiency were among the causes of economic deterioration in the region. To these shortcomings should be added, for a number of countries, failure to assure good governance, notably through an efficient public service, a reliable legal framework to enforce contracts and an administration that is accountable to its public.

137. On the donor side, some economic policies of donor countries have resulted in a worsening of the global economic environment characterized by rises in world real interest rates, instability in exchange rates and reduced access by developing countries to world savings. Other factors which have an adverse impact on aid effectiveness came from the poor co-ordination process and the importance given in some cases to objectives other than the genuine promotion of long-term development. The need for untying of aid has recently been stressed again in the context of the SPA. Technical assistance which amounted to a third of bilateral ODA was provided by expatriates, whose salaries represented a large part of technical assistance expenditure. Sometimes technical assistance was unco-ordinated, poorly managed, and not fitted into a comprehensive strategy for capacity building or institutional development.

138. An effort has been made in co-ordinating aid from bilateral and multilateral donors, through the mechanisms of consultative groups and roundtable meetings. However, problems in this area remain which weaken the aid co-ordination process and call for corrective measures. 31/ First, there is a need for the co-ordination process to be based on better formulated development strategies over a longer period. Secondly, as donors have been playing an increasingly prominent role in aid co-ordination, both directly and through the Fund-Bank policy framework, the role of recipient countries' Governments has been relatively diminished in the process. Thirdly, the development assistance programmes and practices of donor agencies are not effectively directed to building the institutional and managerial capacities of the LDCs. Fourthly, while preparation and conduct of donor groups has been greatly improved, the follow-up is still the weakest point in the country review process.

139. There is thus an increasing recognition of the need to devise an efficient form of collaboration between African countries and the donor community, which will involve the active participation of the former in building up a consensus on African development issues. Such collaboration has been sought by the Africa Conference which took place in Maastricht, in the Netherlands, in July 1990. The Conference was conceived as a step in the process of building political consensus, by bringing together African governments, bilateral donors, regional and multilateral agencies and other development partners. 32/

## 2. External debt

140. African countries are severely hit by the debt crisis and the debt overhang constitutes a major stranglehold on their development. Despite the implementation of international initiatives on debt, the debt situation does not show any sign of improvement: the ratio of debt outstanding to GNP increased substantially from 78 per cent in 1986 to 92 per cent in 1989. The ratio of debt service to exports has also increased from 27 per cent in 1986 to 37 per cent in 1989. The debt service ratio, which is actually quite high in regard to African countries' debt servicing capacity, would be much higher had debt service not been rescheduled. External debt of African countries is still rising, reaching a total of $250 billion in 1989, as compared with $201 billion in 1986. This increase in debt was attributable, to a significant extent, to the capitalization of interest through debt reschedulings as well as to the accumulation of arrears. Of this total amount of external debt, about two thirds are owed to official creditors.

141. A revealing phenomenon of the debt problem is the fact that the majority of African countries have had repeated reschedulings with the Paris Club and the London Club and have accumulated important arrears with multilateral institutions. Since 1984, 30 African countries have gone to the Paris Club and 27 of them have gone more than twice (many countries had from five to six Paris Club reschedulings). Likewise, although a smaller number of countries have contracted large commercial bank debt, no less than 18 countries have gone to the London Club to reschedule their debt with commercial bank creditors.

142. A number of initiatives taken to alleviate the burden of debt of low-income countries have benefited many African countries. However, the scope of debt relief needs to be enlarged so as to obtain significant debt and debt-service reduction. In effect, the problem needs to be tackled in a more definitive manner.

### (a) ODA debt forgiveness

143. In 1989, bilateral official development assistance debt of African countries amounted to close to $30 billion, of which sub-Saharan African countries accounted for nearly half. Although measures have been taken by official creditors to cancel ODA debt of low-income countries, following Board resolution 165(S-IX) adopted in 1978, the amount of outstanding ODA debt of African countries remains substantial. The World Bank reported that from 1978 to 1989, donors have cancelled about $4.2 billion of ODA debt owed by African countries. 33/ Recently, several creditor countries announced new actions which they hoped would result in further cancellation of ODA debts owed by low-income countries in Africa, for a total amount estimated at $6 billion. 34/ Further efforts need to be made by donors to arrive at a full cancellation of ODA debt.

### (b) Non-concessional official debt reschedulings

144. Non-concessional official debt consists mainly of export credits. These credits represented in 1989 about 30 per cent of total long-term debt of African countries and about 23 per cent of total long-term debt of sub-Saharan African countries. However, the debt service resulting from export credits

represented in 1989 more than 37 per cent of total debt service of African countries and more than 26 per cent in the case of sub-Saharan African countries. The most important change in official debt reschedulings within the Paris Club was the implementation of concessional terms in debt reschedulings for low-income countries, following the agreement reached by industrialized countries at their Summit in Toronto in June 1988. The Toronto agreement led to the adoption of the following menu of options to be chosen by creditor countries in rescheduling the official bilateral debt of low-income countries within the framework of the Paris Club:

A. Partial write-offs: one third of the debt service due during the consolidation period is cancelled and the remaining two thirds rescheduled at market interest rates, with a maturity of 14 years, including 8 years of grace;

B. Longer repayment periods: debt service due during the consolidation period is rescheduled at market interest rates, with a maturity of 25 years, including 14 years of grace;

C. Concessional interest rates: the consolidated debt service is rescheduled at market interest rates reduced by 3.5 percentage points or 50 per cent, whichever is less, and with a maturity of 14 years, including 8 years of grace.

For official development assistance (ODA) debt, it has been agreed that the maturity will be as in option B, and the interest rate at least as low as the original rate, regardless of the option chosen. As mentioned above, a number of donor countries have applied more generous measures to ODA loans by converting them into grants.

145. So far, of the 19 countries which have benefited from the Toronto measures, 17 are from Africa. 35/

146. The Toronto Agreement marked a major advance in the debt strategy, in that for the first time creditor governments recognized the need for concessional debt relief with regard to non-concessional official debt. However, implementation of the options offered in the Toronto Agreement has revealed a number of shortcomings. 36/

147. The scale of relief the options give rise to is extremely limited. For the 17 African countries benefiting from the Toronto terms in 1989, the savings on interest payments in that year were less than 2 per cent of the debt-service payments of these countries; and several of them will still have to make payments at least three times higher than those they have been able to make in recent years. The small impact of the Toronto scheme reflects its low concessionality: for the 17 beneficiaries, the overall grant element was, on average, about 20 per cent, which was well below the average grant element of over 50 per cent of 1988 loan commitments from official sources to sub-Saharan African countries.

148. Another reason for the limited scope of the measures is that only debts meeting certain criteria can be rescheduled. Thus, debts which were previously rescheduled are excluded, arrears and late interest are not fully consolidated in some cases, while short-term debt and servicing of debt contracted after the cut-off date are excluded from the rescheduling. For some debtor countries the strict application of the cut-off rule excluded from rescheduling about half of their Paris Club debt. The increase in concessional debt relief that would result from bringing forward the cut-off date would by far outweigh any possible negative impact on new export credits.

149. Moreover, only debt-service payments falling due during short consolidation periods benefited from the new terms, with the result that repeated reschedulings, which are time-consuming, remained necessary. Ideally, the Toronto measures should be applied to the entire stock of debt outstanding, in order to bring about a once-and-for-all debt or debt-service reduction. Alternatively, Paris Club creditors should grant more frequently the Multiyear Rescheduling Agreements (MYRAs) with a consolidation period extended to three years.

150. Finally, some creditors have financed the cost of debt relief by transferring funds from their aid budgets, thus reducing the additionality resulting from the Toronto measures.

151. Reflecting the growing perception of the inadequacy of the Toronto terms, a number of creditor countries have recently put forward bold proposals, involving massive debt reduction. At the Second United Nations Conference on the Least Developed Countries held in Paris in September 1990, the Netherlands Government called for the cancellation of all official bilateral debt owed by least developed and other low-income countries facing severe debt problems and implementing sound economic policies. 37/ At the recent meeting of the Commonwealth Finance Ministers, 38/ the United Kingdom Government proposed that Paris Club creditors should reduce the entire stock of official bilateral debt owed by eligible countries by two thirds, with the remaining debt rescheduled over 25 years and interest payments capitalized for the first five years.

152. Many middle-income African countries whose debt is mostly owed to official creditors also face serious financial difficulties. The issue of debt reduction for those countries has begun to receive increased attention by creditor countries. For instance, in June 1990, France announced measures to lower interest rates on its non-concessional loans to four middle-income countries of sub-Saharan Africa (Cameroon, Congo, Côte d'Ivore and Gabon).

153. Following the recommendations made at the Houston Summit, the Paris Club adopted in September 1990 a new package of measures in favour of heavily indebted lower middle-income countries with high levels of official debt. So far, Morocco and the Congo have benefited from those measures, which include the extension of rescheduling maturities to 15 years (with a grace period of up to 8 years) for non-concessional loans, and to 20 years (with a grace period of up to 10 years) for ODA loans. In addition, the new treatment allows limited amounts of debt-equity swaps and other debt conversions - such as debt for nature and debt for aid - by creditor countries on a voluntary basis.

154. The new Paris Club measures in favour of lower middle-income countries represent a step in the right direction, but a timid one. Many of these countries will need reduction of their official bilateral debt. In this regard, Paris Club creditors should urgently consider the possible implementation of the recent French proposal calling for a more diversified menu incorporating debt and debt-service reduction. 39/

(c) Multilateral debt

155. Multilateral debt represents an important share of African total long-term debt, amounting to about 25 per cent for all African countries and about 32 per cent for sub-Saharan countries. The service on this debt has become so large that net financial transfers from multilateral institutions have sharply declined, and a number of debtor countries are in arrears on their multilateral debt. 40/

156. Multilateral financial institutions have taken some measures to alleviate the servicing burden and thus help avoid arrears on multilateral debt. For instance, as mentioned earlier, in 1988 the World Bank decided to put aside 10 per cent of repayments to IDA to help IDA-eligible countries pay their interest on debt owed to the IBRD (which was contracted at market rates); a number of donor countries provided additional resources for this purpose. IMF has introduced the Structural Adjustment Facility (SAF) and the Enhanced Structural Adjustment Facility (ESAF) to provide balance-of-payments assistance on concessional terms to low-income countries.

157. However, IMF has had to take further measures to deal with the problem of existing arrears. The Fund has thus mobilized additional resources from its developed members through support groups to help those debtor developing countries in arrears to the Fund that are willing to adopt corrective measures. The success of these support groups has so far been limited, and no African country has yet benefited from this approach. Early this year, IMF adopted the "rights" approach, under which a member with massive and protracted arrears could earn "rights" - based on sustained performance during the period of a "rights accumulation" programme monitored by IMF - towards future financing up to the equivalent of arrears outstanding at the outset of the programme. Zambia will be the first country to benefit from this new approach.

158. The issue of arrears with multilateral institutions is one aspect of the global debt problem, which should continue to be tackled in a co-operative spirit and through a growth-oriented approach. The priorities in this respect are a substantial increase in net transfers from multilateral financial institutions and urgent implementation of measures to alleviate the debt-servicing burden and eliminate arrears. Recent increases (sometimes long-delayed) in the resources of a number of multilateral financial institutions mean that multilateral lending could be set for further expansion. Moreover, multilateral financial institutions and donor countries should give urgent consideration to further measures to alleviate the burden of multilateral debt, while safeguarding their sound financial basis, as recommended by the Second United Nations Conference on the Least Developed Countries. These measures could include the strengthening and widening of existing mechanisms such as interest rate subsidies or refinancing schemes

funded by reflows or special trust funds. 41/ It should be noted, in this respect that the Interim Committee of the IMF, at its meeting in May 1990, endorsed the proposal that the Fund pledge use of up to 3 million ounces of gold, if needed, as additional security for use of the resource of the ESAF in connection with the financing of accumulated rights (under the recent "rights accumulation" approach). 42/

(d) Commercial bank debt

159. The Brady initiative, which has as a central element debt and debt-service reduction, marked an important step in the strategy dealing with the commercial bank debt. However, this initiative will concern only a small number of middle-income African countries, as commercial bank debt represents a small percentage of the total debt stock owed by African countries (10 per cent at end 1988). At present only one African country, Morocco, has finalized an agreement with its commercial banks in the framework of the Brady initiative, which will allow, in an initial stage, debt reschedulings, but eventually, at a second stage, some debt or debt service reductions. 43/ (Banks can choose also the new money option in the second stage).

160. Although debt and debt-service reduction has appeared as a central element of the new approach, the amount of reduction in prospect falls considerably short of what is required. On the other hand, new lending by banks, which is included as an option in the agreements, is difficult to obtain.

161. Some other features of the agreements implemented to date (other than the Moroccan case) have given rise to concern. 44/ For one thing, the agreements have rendered the remaining debt more difficult to restructure. A large proportion of bank loans have been transformed into bonds and these have been perceived as exit instruments since they generally exempt the holders from future restructuring and new money calls. Furthermore, additional multilateral debt (which in principle is not possible to restructure) has been incurred.

162. The implementation of the Brady initiative has suffered from the absence of internationally set targets for the medium-term cash flow and debt profile of the country whose debt problem is being addressed. As a result, there has been a tendency for the extent of debt and debt-service reduction to be shaped by the balance of negotiating strength rather than by objective needs.

163. In the case of commercial bank debt of low-income countries, the World Bank established in September 1989 a special IDA debt-reduction facility, which is endowed with $100 million transferred from IBRD net income. The facility will provide grants for cash buy backs of commercial bank debt of IDA-eligible low-income countries, over a period of three years. Up to $10 million will be available to each eligible IDA country using this facility. Most beneficiaries are likely to be low-income African countries included in the SPA. The World Bank estimated that the extinguishing of commercial debt through cash buy backs in the initial 22 SPA countries could require between $200 million and $300 million, depending on discounts. The financing of these buy-back operations would need additional financial contributions from bilateral donors.

### 3. Need for increased aid, improved aid effectiveness and adequate debt relief

164. African countries will continue to need substantial external financial support to sustain their structural adjustment process and the transformation of their productive structures. At the same time, special efforts are required in the 1990s to correct the backsliding that has occurred in areas such as food security, human resource development and infrastructure investment and to fund environmental conservation actions. In addition, the recent Persian Gulf crisis adds a dramatic dimension to these needs and African countries have already incurred important losses, as a result of substantial increases in the oil import bill and losses of income derived from workers' remittances and exports to Iraq and Kuwait.

165. The decline in resource flows to African countries needs to be urgently redressed. Likewise, the measures to alleviate the debt burden which were implemented so far need to be made more concessional, involving debt and debt-service reduction on a much larger scale.

166. The need for resources should be adequately addressed both by debt relief measures and by the provision of new flows on concessional terms. Debt relief will not be enough to set African countries on a sustainable recovery path, as their capacity to earn foreign exchange has still to be much strengthened by a broadening and diversification of their productive base. This process requires additional resources on concessional terms to finance increases in investments.

167. Although donors have committed themselves to continue their support to African countries through agreements reached on, inter alia, the second SPA, IDA-9 and Lomé IV, substantial increases in resources, above the levels already announced, are needed. In this context the sixth replenishment of the African Development Fund (ADF), which is currently under negotiation, should be given full support. The African Development Bank is hoping that donors will agree to a 75 per cent increase in the ADF resources, which would mean an injection of $4.75 billion to its concessional lending over the next three years.

168. Of equal importance is the need to strengthen aid effectiveness, on both the recipient and the donor sides. In this respect, the experience of the 1980s has pointed out the need to reconsider the formulation of development strategies and adjustment policies in African countries over a longer period in the context of policy-based lending. Concomitantly, emphasis should be put on the building of the recipient countries' institutional capabilities to co-ordinate and manage resources. African countries, on their side, should also provide an enabling environment to increase the productive efficiency, inter alia, by enhancing good governance.

169. The debt problem should be more vigorously tackled in the overall context of resource flows. The rationale for dealing with a country's debt problem in the context of medium-term development programmes and its overall financing requirements implies the existence of a co-ordinated effort by creditors, official and private, and donors in helping to meet these requirements. As a

first step, the institutional framework for official debt rescheduling needs to be better co-ordinated with the complex of other existing mechanisms and forums, including consultative groups, round tables, commercial bank rescheduling committees and the multilateral institutions.

170. In view of the debt overhang facing the majority of African countries with limited resources, cancellation of a large portion of their debt due mostly to official creditors remains the most practical solution for the revival of their economies. On ODA debt, donors should be committed to a full cancellation of this debt. Concerning non-concessional official debt of low-income countries, the Toronto terms should be drastically revised and measures tending towards the cancellation of the entire stock of this debt should be urgently implemented. With respect to Paris Club debt of lower middle-income countries, the Houston terms should be revised so as to include debt and debt-service reduction options.

171. With regard to debt owed to commercial banks by low-income countries, debt buy-back operations should be enlarged, with the help of donors' contribution, so as to eliminate this debt. Concerning commercial debt owed by middle-income countries and in the context of the Brady initiative, in general the emphasis in financial packages should be on debt reduction rather than on new lending. In each case, the negotiation process should be anchored to authoritative estimates of the country's debt reduction and cash flow needs. The multilateral financial institutions could play a useful role in this regard. Further incentives, mainly through national laws and regulations, 45/ could also be directed more effectively towards achieving adequate levels of debt and debt-service reductions.

## C. Technology

172. Technology acquisition, utilization, adoption and diffusion have a critical bearing on the development process. Almost all African countries are aware of the importance of technology and would endeavour, given the necessary resources, to acquire it in order to pursue their economic and technological development goals.

173. An assessment of the major policy issues of the LDCs undertaken by the UNCTAD secretariat for the Second United Nations Conference on the Least Developed Countries shows the significant progress made by African countries in human resources development, policy adoption, and in establishing institutions for science and technology related functions. UNCTAD had been very closely involved with various initiatives undertaken by such countries as Kenya, Zimbabwe, Zambia, Mali, Togo, Nigeria, Ethiopia, Burundi, Sierra Leone, Senegal, Somalia, Gambia and United Republic of Tanzania. There are differences among these countries as to the types of institutions they have created which are supposed to correspond to each country's specific socio-economic circumstances and conditions, and respond to their sectoral development objectives.

174. However, these fledgling institutions share the common need for external assistance during their critical formative stages, given that they have not yet established an adequate base for their autonomous operational

functioning. Even if African countries were to overcome this constraint, and were to master the necessary skills and capabilities for technology acquisition, negotiation and adaptation, such capability would be only one element, though an important one, of the technological equation. The availability of the other critical element, namely technology itself, is essential for technology utilization. Here again, African countries face a second major constraint: unlike other developing regions, over 90 per cent of Africa's acquired technology is imported.

175. Africa is thus still facing, more than any other developing region, acute problems with regard to technology acquisition. In the first place, the countries are at a lower level of technological development, which means that they are more prone to technological dependence, and hence less able to find indigenous sources for their technological requirements. In the second place, the import capacity of African countries has been declining during the 1980s. Given their serious economic crisis, African countries are less able to dispense with the financial and foreign-exchange resources needed to purchase their technological needs. This resource constraint, combined with the decline of foreign direct commercial investment, means that foreign aid and technical co-operation remain the main sources, in the absence of other channels, for strengthening the technological flows into African countries and strengthening their technological capabilities.

176. There is a need to strengthen the capabilities of African countries in the selection, negotiation and utilization of new technologies. It is also recognized that the current economic structural adjustment programmes being pursued in the African countries are unlikely to lead to sustained and sustainable long-term development unless there is a concomitant strengthening of their technological muscle. In this regard, supportive action by the international community, in particular country, regional and interregional UNDP assistance, would need to reflect this recognition.

## D. Least developed countries

### 1. General

177. During the last two years of the UN-PAAERD the socio-economic problems of the 28 African LDCs have come under sharper focus as part of the preparations for the Second United Nations Conference on the Least Developed Countries (Paris, 3-14 September 1990). The documents prepared by the UNCTAD secretariat on sectoral issues (Enterprise sector and the role of NGOs and women in development of LDCs) and for intergovernmental meetings have reviewed the situation of these countries and included proposals for action at both the national and international levels. The annual Report on the Least Developed Countries, which includes the Basic Data series, has also addressed several issues of importance to the implementation of the UN-PAAERD. As part of the preparations for the Conference, the 28 African LDCs prepared and submitted individual country presentations which included a review of socio-economic developments during the 1980s and proposals for the 1990s.

178. The documents prepared for the above-mentioned activities showed that the 28 African LDCs, of which 11 are land-locked and four are island countries, continued to face extreme socio-economic and financial difficulties

throughout the 1980s, compelling most of them to implement short-term strategies and policy reform measures to restore internal and external balances at the expense of pursuing their broader long-term development goals.

2. The Programme of Action for the Least Developed Countries for the 1990s

179. The Programme of Action sets forth a comprehensive strategy for the LDCs for the 1990s and a policy package, delineating the national and international actions that need to be pursued during the decade. The following is a brief highlight of the Programme.

(a) Assessment of socio-economic performance in the 1980s

180. The assessment of the socio-economic situation of the LDCs in the 1980s considered the 1980s in general as a period of set-backs. Most LDCs, including African LDCs, have had to cut back imports and to undergo a process of painful adjustment with austerity. The fall in net investment (to about one quarter of its level at the beginning of the 1980s) and the deterioration of productive capacity and physical infrastructure have impaired LDCs' ability to resume growth and development and to meet the basic needs of their populations. Particularly worrying was the rapid deterioration in the social conditions in the LDCs, where there has been an increase in the absolute number of illiterates and a rise in the incidence of child malnutrition.

181. There was a broad consensus on the factors which contributed to this worsening state of affairs. These included national problems, including the interaction of population growth, poverty, and environmental degradation; policy shortcomings; the problems associated with the design and implementation of structural adjustment programmes; natural disasters; and adverse external conditions, such as depressed commodity prices, difficulty of access to markets and lower-than-expected aid flows. In addition, destabilization originating from outside had an adverse effect in some countries.

182. The Conference agreed that fundamental to the problems faced by the LDCs in achieving sustained long-term growth and sustainable development in the 1980s were rigidities in their economies, fiscal imbalances, monetary (and in some cases political) instability and pricing policies, insufficient attention to individual initiative and enterprise, and to macro-economic policies, which would enable LDCs to adjust better to external shocks. In some countries, internal disturbances and instability, sometimes aggravated by destabilization originating from outside, also had an adverse effect.

183. The international economic environment of the 1980s has been difficult especially for the LDCs (see also relevant sections above). Although a number of donor countries met or exceeded the 0.15 per cent aid target, or increased very substantially their aid to LDCs, donors' ODA/GNP ratio remained at the average of 0.09 per cent throughout the 1980s.

(b) Priority areas for action at the national and international levels

184. The Conference defined five priority areas in the Programme of Action which correspond to the priorities identified in the United Nations-PAARED. These are:

(i) to conduct a macro-economic policy with the objective of creating a favourable environment and constituting a basis for sustained economic growth and long-term development of the economy;

(ii) to develop human resources;

(iii) to reverse the trend towards environmental degradation, to manage the environment with a view to the effective and durable utilization of natural resources and to reinforce action to deal with disasters;

(iv) to promote an integrated policy of rural development; and

(v) to develop a diversified productive sector.

185. In order to help the LDCs implement effectively policies and programmes outlined in the Programme of Action, participants in the Conference agreed on the need to reinforce the efforts of the least developed countries with external support measures, especially in the areas of resources, debt and trade.

186. It was acknowledged that economic growth and long-term development cannot proceed without sufficient resources - domestic and external - to finance investment. The creation of an appropriate policy environment could promote domestic savings, reduce capital flight and encourage the repatriation of flight capital. However, given the magnitude of the LDCs' development needs and their limited capacity to generate an investible surplus, the volume, timeliness and terms of external financial resources will be critical and should correspond to the LDCs' immediate short-term and long-term development needs.

187. The Programme of Action provides for a set of targets which maps out more clearly than before the different undertakings given by the donors in this regard. Separate provisions have been spelled out for donor countries grouped according to their aid policy and performance vis-à-vis least developed countries, so that donor countries in these different groups should increase their efforts and improve their performance. The alternative undertakings under this new approach allow for measurability of donors' commitments. By encouraging each donor to improve its aid performance they should contribute to significantly increasing the volume of aid to the least developed countries during the 1990s.

188. Regarding external indebtedness of the LDCs, it was recognized that many LDCs face serious debt problems and more than half are considered debt distressed. Alleviation of debt servicing burden on LDCs could release substantial resources for their development. The Programme of Action thus covers a wide range of relevant issues in the area of external indebtedness, including bilateral debt (ODA and non-concessional), debt owed to multilateral institutions and commercial debt.

189. The part of the Programme of Action relating to external trade underscores that urgent steps are needed to provide improved market access for products originating from least developed countries, and that special attention should be given within the framework of multilateral trade negotiations to least developed countries' needs. The Programme of Action

also deals with diversification of exports, commodities and compensatory financing, recognizing, inter alia, the importance of compensatory financing as a short-term measure to help absorb the shock of sharp swings in export receipts so that least developed countries can maintain a stable economic policy framework.

190. The full and effective implementation of the Programme of Action - not only in letter but also in the spirit embodied in the Paris Declaration - would be vital in breaking the vicious circle of poverty and underdevelopment in the African LDCs and would contribute substantially to the realization of the priorities identified in the UN-PAAERD.

## E. Economic co-operation among developing countries

### 1. Regional and subregional co-operation

191. A large majority of the intergovernmental economic co-operation and integration groupings of developing countries are located in the African region. There are eight major subregional economic integration groupings namely, the AMU, CEAO, CEEAC, CEPGL, ECOWAS, MRU, PTA, and UDEAC, 46/ which pursue market integration policies with the aim of achieving common market status. The economic co-operation arrangements fall into two categories: (i) organizations with flexible co-operation arrangements which provide for joint consultation, co-ordination and development of sectoral policies and projects such as the CILSS, IGADD and SADCC; 47/ and (ii) organizations devoted to fulfilling specific functions such as the intergovernmental commissions responsible for co-ordinating the integrated development of river and valley basins (LCBC, OKB, OMVG, OMVS).

192. The experience of many African integration groupings shows that trade liberalization invariably led to an initial rapid growth in intra-grouping trade which soon reached a peak, and thereafter either stagnated or declined. The phenomenon was equally experienced by CEAO and UDEAC, the two African integration groupings that have been implementing regional trade liberalization schemes. One reason contributing to this situation, common to most integration groupings, has been the widespread use of non-tariff restrictions by member countries for various reasons which nullify the tariff concessions gained from trade liberalization and consequently inhibit the expansion of intra-grouping trade. Similarly, the low degree of economic complementarity among States members of integration groupings also restricts the prospects for sustaining intra-grouping trade over the long term. This particular problem can be reduced in scale through production, diversification and movement into dynamic sectors, such as commodity processing, semi-manufactures and manufactures.

193. Most of the African integration groupings have also not been able to consolidate and launch their trade liberalization schemes and, therefore, have not really benefited from the stimulus that trade liberalization brings to intra-grouping trade. The performance of intra-grouping trade of many of the African groupings was also affected by the international economic environment in the 1980s. In the period after 1986, however, the values and shares of intra-trade of most integration groupings in Africa were growing and had, by 1988, reached or exceeded their pre-crisis level of 1982. Nevertheless, with the exception of CEAO and PTA, the relative shares of intra-grouping trade have continued to remain marginal (annex table 4).

194. Regarding trade liberalization, the recent progress has been substantial in some integration groupings (ECOWAS, MRU) and modest in others. Efforts to strengthen clearing and payments arrangements have also been launched. Economic co-operation arrangements have been severely hampered by acute financial difficulties arising from non-payment of clearing balances, and from lack of finance. In this connection, the ECOWAS countries have decided to create a credit fund to support the operations of the WACH, and are currently seeking financial assistance in this regard. ECOWAS, in addition, adopted a decision to introduce a single monetary zone by the end of 1994. PTA decided to establish the PTA Clearing House as an autonomous institution that will begin operations in January 1992. CEEAC established a new Clearing House in February 1989.

195. One development that will have major implications for the above-mentioned economic groupings and for the economic integration process in Africa, was the decision of the Organization of African Unity (OAU) Heads of States and Government Summit in July 1990 to establish an African Economic Community by the year 2025. This decision was based on the Summit's conclusion that intra-African co-operation is crucial to the economic survival of the region in the coming years. In the same resolution, the OAU Summit agreed to merge the proposed Community with the OAU into a single organization with one secretariat.

2. South-South co-operation

196. In order to promote increased participation of African countries in South-South trade, UNCTAD co-operated with UNDP in the implementation of a project on economic and technical co-operation between Africa and Latin America. Under this project a series of meetings of economic operators of both regions were held: meeting of African and Latin American shipowners and related enterprises on the issue of alleviating the transport constraints to mutual trade; meeting of African and Latin American commercial banks to discuss the question of trade financing and investments in the two regions; and meeting of trading companies on trade expansion between Africa and Latin America through direct business negotiations backed up by technical discussions on alternative reciprocal techniques such as countertrade, meeting of chambers of commerce and central banks of the two regions on their respective roles in mutual trade expansion.

197. Activities of the project also included the publication of informative papers on countertrade practices of developing countries and on investment regulations and laws of African and Latin American countries with a view to providing governments, public and private investors and development finance institutions of the two regions with practical analytical tools, as well as a comparative basis for the design of appropriate policy instruments to encourage investment flows between Africa and Latin America.

198. A second basis for Africa's increased participation in South-South trade is provided by the Global System of Trade Preferences among Developing Countries (GSTP). This is a multilateral agreement designed to establish a framework for the exchange of trade concessions among members of the Group of 77 and to constitute an instrument for the promotion of trade among these developing countries. The first round of GSTP negotiations was

concluded at the Belgrade Ministerial Meeting and 48 countries signed the Agreement on 13 April 1989, including 16 countries from Africa. The Agreement entered into force on 19 April 1989 and to date 34 countries have ratified the Agreement and become full participants. Twelve of these participants are African countries.

199. During the first round of negotiations the GSTP Project provided technical assistance to a large number of African countries, including for conducting missions and for national and regional seminars on issues related to the GSTP negotiations. This was generally done in close co-operation with ECA and OAU. As a means of assisting African countries without permanent delegations in Geneva, the Project and the Office of the OAU in Geneva established a scheme through which regular reports and briefing materials were forwarded to such countries. After the Agreement had entered into force, contacts with the OAU Office in Geneva remained active, and the representative of this office attended, as an observer, the meetings of the GSTP Committee of Participants and its subsidiary bodies. The GSTP Project continued to extend technical assistance to African countries and to provide them with the necessary information relating to the GSTP process.

200. It is envisaged that the preparatory work for the second round of GSTP negotiations will be intensified and the second round will be launched. The GSTP Project, within its available resources, will endeavour to continue providing supportive activities to African countries signatories to the GSTP and to other members of the Group of 77. These activities will aim to assist African participants to carry forward the exchange of trade concessions, and to facilitate the process of accession to the GSTP by the African countries non-signatories to the Agreement.

201. There is a need to induce the African GSTP signatories, which have not yet ratified the Agreement (Angola, Benin, Cameroon, Morocco and Sudan) to expedite the ratification process. There is also a need to invite the African members of the Group of 77 which have not joined the GSTP, to apply for accession to the Agreement with a view to sharing the potential trade benefits accruing to GSTP participants. In this respect, particular attention should be given to the least developed African countries non-signatories to the GSTP.

### F. Contribution of the United Nations system entities to implementation of the UN-PAAERD

202. Since the establishment of the UN-PAAERD the United Nations system organs and other international bodies including NGOs have co-operated closely in contributing to its implementation. Many agencies reported devoting substantial resources to the implementation of the Programme of Action. UNCTAD's own contributions have been reported upon to the Trade and Development Board each year. The latest report (TD/B/1279) prepared for the second part of the thirty-seventh session, shows that substantial resources (both budgetary and extra budgetary) were applied to the implementation of the Programme. Technical assistance support for the region has increased substantially.

203. At the system-wide level, a United Nations Steering Committee on the Implementation of the Programme, established by the United Nations Secretary-General, and chaired by the Director-General of the Department for International Economic Co-operation, has been co-ordinating implementation

efforts. The Steering Committee, which includes the United Nations organs and its main departments, the specialized agencies and the multilateral financial institutions, is supported by a United Nations Inter-Agency Task Force, chaired by the Executive Secretary of ECA, which is the technical arm of the Steering Committee. The secretariat of the OAU participates in the meetings and works closely with the Steering Committee. Apart from co-ordinating its implementation, the Steering Committee also assists in the preparation of reports of the United Nations Secretary-General to the General Assembly on the implementation of the Programme. The UNCTAD secretariat participates fully in the work of both the United Nations Steering Committee and the United Nations Inter-Agency Task Force, which is currently engaged in preparing the preliminary draft of the United Nations Secretary-General's report on the final review and appraisal of the Programme. The UNCTAD secretariat, in collaboration with the ECA secretariat, provided the secretarial support for the United Nations Secretary-General's Expert Group on Africa's Commodity Problems.

## IV. CONCLUSION

204. In spite of the high objectives of the United Nations-PAAERD and the strenuous efforts of African Governments, Africa's economic situation throughout the 1980s continued to be characterized by weak agricultural growth, declining industrial output, poor export performance, mounting debt burdens, and deteriorating social indicators. Many countries in Africa, among them about two thirds of the economies in Sub-Saharan Africa, have embarked upon the difficult and trying process of stabilization and structural adjustment programmes in response to their external payment problems. Progress has been uneven and insecure.

205. Many countries in Africa have been unable to reconcile the objectives of external balance, price stability and economic growth and development. For them, policies geared primarily towards quickly achieving external balance and internal price stability have either failed or recorded success only by sacrificing employment, growth and distributional objectives, and even then improvements tended to be ephemeral. In many cases, adjustment associated with financial stringency had drastic effects on rates of investment, living standards and levels of economic activity generally, compromising the countries' capacities for serving their external debts in the longer term.

206. The experience of African countries demonstrates that, in the longer term, reconciliation of payments with other major objectives, namely price stability, growth and social peace, involves a complex policy mix which must provide greater scope for growth-oriented structural transformation and development. Furthermore, in an environment marked by extreme poverty, the effectiveness of economic policies in promoting structural change and sustained growth rests, in large part, on their social acceptability. Moreover, in the absence of a liberal political environment, the process of consensus-building is difficult. It is also difficult to gauge the tolerance levels of the society. On the other hand, extreme poverty is a major threat to political stability and the process of political liberalization.

207. Many countries in Africa have embarked on economic liberalization in the context of their structural adjustment programmes. Liberalization generally promotes a more efficient allocation of resources, but the details of the optimal phasing, including sequencing of market liberalization measures, are not altogether clearly established. Successful liberalization depends crucially on a close co-ordination of liberalization measures with industrial policies and, more particularly, with government programmes for the promotion of individual production sectors. The timing and phasing of reductions in protection would need to take account of the degree of competitiveness reached by individual industries and the seriousness of constraints on the further development of their competitive strength.

208. Finally, even relatively minor external shocks can easily threaten modest gains. The impact of the Persian Gulf crisis has been adverse for most of the African countries which are dependent on oil imports, and has compounded seriously their existing difficulties in implementing structural adjustment programmes and expanding export supply capabilities. Many countries in Africa are likely to suffer major losses in export revenue if recessionary tendencies depress world demand for their products. Moreover, more stringent austerity measures, including once again reductions in imports of intermediate and capital goods, may become necessary in a greater number of non-oil-exporting

economies. Renewed retrenchment would further constrain investment and thwart efforts to build up competitive supply potential. For many countries in Africa the set-back would be dramatic.

209. In recent years, the performance of foreign direct investment (FDI), the establishment of other links with foreign companies and the creation of new joint ventures have been largely disappointing in most sub-Saharan countries. In North Africa the growth of FDI has been somewhat more vigorous. However, FDI and international co-operation between enterprises could potentially play an essential role in a development-oriented adjustment strategy for African countries. They could assist in overcoming major bottle-necks to the revival of economic growth in Africa: they could strengthen its productive and technological capacity, raise productivity and competitiveness, enhance export marketing capacity and provide the necessary links to export markets. The potential of FDI and industrial collaboration for the African region can be illustrated by a few relatively successful examples such as Morocco, Tunisia and Mauritius.

210. Although the problems which gave rise to the international intitiative establishing the UN-PAAERD have not been substantially reduced, a number of gains have nevertheless been achieved. Firstly, there has been an increased international awareness of the size and complexity of the problems. Secondly, many African countries have gained fuller appreciation of the need for reforms - some have already begun to benefit through export growth and strengthened ability to cope with external shocks. Thirdly, the adjustment debate has proved the need for a policy mix which combines appropriate macro-economic measures with longer-term developmental objectives aimed at structural transformation and growth in African economies. The outcome of the Maastricht Conference provides one approach.

211. This means that African countries must, in spite of difficulties, persist in their reform efforts. There is also a need to broaden and deepen reforms through, inter alia, increased participation of the people in the decision-making process, improved governance, increased involvement of women in the development process at all levels and in all spheres, and continued attention to population and environmental concerns.

212. At the sectoral level, diversification provides an important way out of excessive commodity dependence, and reduces exposure to external shocks. However, this need not mean abandonment of traditional efforts to competitors who, in spite of world market conditions, have gained at Africa's expense. The solution to this apparent paradox lies in improved competitiveness, efficient marketing and, in some cases, producer co-operation.

213. At the international level, even though Governments, international institutions and the public are better sensitized to Africa's problems, progress has not matched effective needs. The external economic environment remains unsupportive of African Governments' efforts. Commodity markets remain weak. Africa is still suffering from massive terms of trade losses, protectionism and problems of market access which could discourage diversification efforts. Resource transfers have stagnated in real terms, foreign direct investment has fallen. In spite of several debt relief initiatives, both the debt stock and debt service continue to constrain development.

214. Meanwhile the African region faces the added risk of further marginalization as markets and institutions are increasingly globalized, powerful new regional economic groupings are being formed and new demands on global resources, including demands by economically advanced countries push Africa further into the periphery. But this also means that African countries must make serious efforts to strengthen their own regional co-operation through trade and co-ordinated development.

215. Against this sombre scenario, there is now the threat posed by the conflict in the Persian Gulf, and the risk of reduced economic activity in the developed market-economy countries.

216. The international community, for its part, could strengthen its support for the region's efforts through increased resource flows, improved aid efficiency, effective and meaningful debt-relief measures, and by granting improved access to markets for exports. These measures could include increased resource flows in real terms, reduction of the debt stock and debt service through debt cancellation, removal of tariff and non-tariff barriers on products of export interest to African countries, and generally improve management of the international economy to reduce external shocks to poorer countries. The multilateral financial institutions also could give further support by adapting their systems and approaches to the exigencies of the African situation. Concretely, this would involve greater ingenuity in designing flexible programme packages, conditionalities and in mobilizing the resources required. This also includes not only assistance to African countries to secure increased foreign direct investment and to direct them into priority areas such as diversification, but also to assist them to secure access to markets.

## Notes

1/ Africa's Priority Programme for Economic Recovery and Development 1986-1990, adopted by the Twenty-first Ordinary Session on the OAU Assembly of Heads of State and Government (18-20 July 1985). Published by FAO, 1985.

2/ General Assembly resolution 45/178A expressed the conviction that the final review and appraisal of the Programme of Action should be an occasion for an in-depth assessment of the actions taken in implementation. See also para. 5 of that resolution on the contributions expected of the United Nations system organizations, including UNCTAD.

3/ This section draws on UNCTAD sources, especially TDR 1990, and on material from ECA, IMF (World Economic Outlook, May and Oct. 1990) and the World Bank.

4/ For full details see, United Nations Department of Public Information: United Nations Programme of Action for African Economic Recovery and Development (1986-1990), United Nations New York 1986; Part II, Section A1(e)(i).

5/ ECA: Economic Report on Africa 1990 (E/ECA/CM.16/13): UNECA, Addis Ababa, April 1990, para. 14.

6/ Special Programme of Assistance countries are Benin, Burundi, Central African Republic, Chad, Gambia, Ghana, Guinea Bissau, Kenya, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Sao Tome and Principe, Senegal, Somalia, United Republic of Tanzania, Togo, Uganda, Zaire and Zambia.

7/ ECA: Op. cit., paras 34-36. Also ECA' Summary of Economic and Social Conditions in Africa, 1988-1990, United Nations E/1990/53, 3 May 1990.

8/ ECA: Economic Report on Africa 1990, op.cit., para. 14.

9/ Kilimanjaro Programme of Action for African Population and Self-Reliant Development, Arusha, United Republic of Tanzania, 9-13 January 1984.

10/ United Nations: International Conference on the Human Dimension of Africa's Economic Recovery and Development. The Khartoum Declaration; Khartoum Sudan, 5-8 March 1988.

11/ United Nations General Assembly document A/44/315, annex.

12/ World Bank: Sub-Saharan Africa: From Crisis to Sustainable Growth; World Bank Washington D.C. 1989, pp. 100 et seq.; also p.46 on Madagascar's environmental action plan.

13/ World Bank: Sub-Saharan Africa, op. cit., p.186, para. 2.

14/ After his recent visits to Poland and Hungary, the Managing Director of the IMF declared that he had returned with the strengthened conviction:

> "that there is no single blue print of reforms. Each country is to reform, exercising its own sovereign responsibility. Those of us who have the duty, and the privilege, to assist these countries should take care never to pretend that we have all the answers"

(See Camdessus: Remarks at Joint IMF/Georgetown University Seminar on "Eastern Europe in the Nineties" Washington D.C. 18 May, 1990).

15/ See also Final Act of UNCTAD VII, adopted by the United Nations Conference on Trade and Development at its seventh session, Geneva, 9 July - 3 August, 1987, para. 44 (a) and (b).

16/ ECA: African Alternative to Structural Adjustment Programmes (AA-SAP): A Framework for Transformation and Recovery (E/ECA/CM.15/6/Rev.2), April 1989, para. 1.04.

17/ FINAL ACT OF UNCTAD VII, op. cit.

18/ Prospects for the World Cocoa Market Until the Year 2005, (UNCTAD/COM/5), report by the UNCTAD secretariat and the secretariat of the International Cocoa Organization (to be published).

19/ Africa's Commodity Problems: Towards A Solution, report by the United Nations Secretary-General's Expert Group on Africa's Commodity Problems (UNCTAD/EDM/ATF/1).

20/ Nurul Islam, Horticultural exports of developing countries: past performances, future prospects and policy issues, International Food Policy Research Institute, Research Report 90, April 1990.

21/ "Access Arrangements under Lomé IV to the EEC Market for certain Agricultural Products Originating in the ACP States: The Potential Trade Impact". UNCTAD/UNDP Project RAF/89/008 "Assistance to ACP Group of States", 6 July 1990.

22/ Nurul Islam, op cit., p.51.

23/ See Statement by Arthur Dunkel, Director General of the GATT at the UNCLDC Paris of Sept. 1990.

24/ For more details, see "Uruguay Round Revised Offers of Tariff Concessions on Tropical Products (as at 31 July 1990): The Potential Trade Impact", (UNCTAD/MTN/RAF/CB.4) (Restricted).

25/ See "Agricultural trade liberalization in the Uruguay Round: Implications for developing countries" (UNCTAD/ITP/48).

26/ The African countries estimated at the time of submission of APPER that the full implementation of the Priority Programme would require the support of external resources equivalent to $46 billion, and about $9 billion annually, on the average, on a net transfer basis. To this amount should be added the high debt-service payments.

27/ Twenty-three countries are eligible for assistance under this programme: see footnote 6 above.

28/ The World Bank estimated that, of total IDA commitments, 45 per cent are allocated to adjustment lending.

29/ It was estimated that under the 8th replenishment of IDA, adjustment lending to SPA countries averaged commitments of about $900 million a year. Concerning co-financing, 18 donors made pledges totalling $5.8 billion in support of the SPA, of which $4.8 billion have been officially allocated and $1 billion unofficially allocated. Disbursements by donors in the first two years of SPA totalled $2.7 billion. The programme of support to IDA-only countries in alleviating IBRD debt burden, introduced in September 1988, used 10 per cent of IDA reflows and investment income to reduce the burden of IBRD debt. In support of this programme, Norway and Sweden also made grants available to help meet IBRD debt service in four African countries. As of 30 June 1990, eight eligible African countries, all in the SPA, had received supplemental credits worth $159 million. It is estimated that these funds are equivalent to about 60 per cent of their annual IBRD interest obligations.

30/ World Bank, World Debt Tables 1989-1990, Volume 1, p. 45.

31/ See Devandra Raj Panday and Maurice Williams, "Aid co-ordination and aid-effectiveness: least developed countries 1981-1989" - study prepared for the Second United Nations Conference on the Least Developed Countries (UNCLDC II/4, 8 March 1990).

32/ The work of the Conference was based on the two major reports mentioned in footnotes 12 and 16. Consensus has been reached on a number of issues which include the question of improved governance, the need for supportive donor action in alleviating the debt problem and in sustaining efforts to mobilize resources for financing development programmes, the need for "endogenization" of the development process, and the need to move away from crisis management towards programmes which place long-term human-centred development in the forefront.

33/ See World Bank, World Debt Tables 1990-1991, Table A6.7: Cancellation of ODA Debt, 1978-1989, pp. 96-99.

34/ France announced in May 1989 that it would cancel concessional debt owed by 35 of the poorest African countries for a total amount estimated at $2.4 billion. Belgium announced in July 1989 that it would cancel about $180 million worth of bilateral official debt owed by 13 African countries (of which $126 million was owed by Zaire). The Federal Republic of Germany announced at the Toronto Summit the cancellation of ODA debt owed by an additional number of six low-income sub-Saharan African countries for an amount estimated at DM 2.6 billion (or $1.4 billion), subject to the implementation by the beneficiary countries of adjustment programmes in co-operation with IMF and the World Bank. Italy announced in April 1990 that it would cancel the ODA debt owed by the most indebted low-income countries, which concerned mainly but not exclusively African countries; debt to be cancelled would be of the order of $1 billion. President George Bush of the United States announced in July 1989 new debt relief measures in favour of sub-Saharan African countries pursuing IMF or World Bank adjustment programmes, which would result in the forgiveness of a total amount of $1.4 billion of debt owed by 22 sub-Saharan countries.

35/ Benin, Central African Republic, Chad, Equatorial Guinea, Guinea, Guinea-Bissau, Madagascar, Mali, Mauritania, Mozambique, Niger, Senegal, Togo, Uganda, United Republic of Tanzania, Zaire and Zambia.

36/ For a more detailed discussion of the Toronto Agreement and its implementation, see UNCTAD, Trade and Development Report, 1989, box 7, pp.53-54, and UNCTAD, "Debt and managing adjustment: attracting non-debt-creating financial flows and new lending" (TD/B/C.3/234), 19 February 1990, paras. 15-21.

37/ The Netherlands Government has subsequently elaborated its proposal by calling for a gradual cancellation of bilateral official debt, made conditional on the implementation by debtor countries of sound economic policies in the context of IMF programmes (see Press Release No.52 of the 1990 Annual Meetings of the IMF and the World Bank Group, 26 September 1990 pp. 3-4).

38/ See Communiqué of Meeting of Commonwealth Finance Ministers, Port-of-Spain, 19-20 September 1990.

39/ See Press Release No.19 of the 1990 Annual Meetings of IMF and the World Bank, 25 September 1990, p.2.

40/ By mid-1990, five African countries had arrears with IMF, and three countries of the same group also had arrears with the World Bank.

41/ See the Paris Declaration and Programme of Action of the Second United Nations Conference on the Least Developed Countries (A/CONF.147/Misc.9) paras. 42-45.

42/ See press communiqué of the Interim Committee at its 24th meeting, 7-8 May 1990. This proposal has been endorsed by the Interim Committee and the Executive Board will establish such a pledge after certain members have completed the legislative action necessary to vote for the decision. See IMF, Annual Report, p.58.

43/ A two-stage agreement was signed by Morocco with its commercial banks in September 1990. The first stage involves debt rescheduling, although the agreement provided the necessary waivers for buy-backs. The second phase of the agreement will take place if Morocco succeeds in negotiating an Extended Fund Facility with IMF before 31 December, 1991. During that phase banks can choose between three options: an interest rate reduction, a debt buy-back at a discount, or new money bonds.

44/ For a detailed evaluation of the results reached so far under the Brady initiative, see UNCTAD, Trade and Development Report 1990, pp. 25-29.

45/ One recent suggestion (made with European countries in mind) is that creditors should qualify for tax deductions on their loan-loss provisions only to the extent that they participate in debt-reduction packages. Another (made with the United States in mind) is that creditors who fail to participate in debt-reduction packages sanctioned by IMF and the World Bank should be required to make special provisions on their loans and should not be eligible to tax relief on losses.

46/ See list of acronyms in Annex table 5.

47/ The SADCC's scope of activities, however, has been expanded to cover broader areas of co-operation, including trade.

Annex table 1

Matrix of policy reforms in adjustment programmes, 1987-1989

| | Benin | Burundi | Chad | Central African Republic | Gambia | Ghana | Guinea | Guinea Bissau | Kenya | Mada-gascar | Malawi |
|---|---|---|---|---|---|---|---|---|---|---|---|
| I. Macro-economic and fiscal policies | | | | | | | | | | | |
| 1. Exchange Rate policy | 00 | ●● | 00 | 00 | 0● | ●● | ●● | ●● | ●0 | ●● | ●● |
| 2. Tax policy | 0● | ●● | 0● | 0● | 0● | ●● | 0● | ●● | ●● | 00 | ●● |
| 3. Wage and Employment policies | 0● | 0● | 00 | 0● | 00 | ●● | 0● | 0● | 0● | 00 | 00 |
| 4. Debt management policy | 00 | ●0 | 00 | 0● | 00 | 0● | ●● | ●● | ●0 | 00 | ●● |
| 5. Budget deficit | 0● | ●● | 0● | 0● | 0● | ●● | ●● | ●● | ●● | ●● | ●● |
| 6. Public recurrent expenditures | 0● | ●● | 0● | 0● | 0● | 0● | ●● | ●0 | ●0 | ●0 | ●0 |
| 7. Public investment expenditures | 0● | ●● | 0● | 0● | 0● | ●● | 0● | 0● | ●0 | ●● | ●● |
| 8. Subsidies | 00 | 00 | 00 | 00 | 0● | 00 | 00 | 00 | 00 | ●0 | ●0 |
| 9. Other macro/public sector policies | 0● | ●● | 0● | 0● | 0● | ●● | ●● | 0● | 00 | ●0 | 0● |
| II. Public enterprise sector restructuring | | | | | | | | | | | |
| 11. Organization, planning/ manage system | 00 | ●● | 0● | 0● | 0● | 0● | 0● | 00 | 0● | 00 | ●0 |
| 12. Financial management | 0● | 0● | 0● | 0● | 0● | 0● | 0● | 00 | ●● | ●0 | ●0 |
| 13. Labour and employment policies | 00 | 00 | 00 | 0● | 00 | 0● | 0● | 00 | 00 | 00 | 00 |
| 14. Operational policies | 00 | 0● | 0● | 0● | 00 | 0● | 00 | 0● | 00 | 00 | 00 |
| 15. Privatization/divestiture | 0● | ●● | 0● | 0● | 0● | 0● | 0● | 0● | ●● | ●● | 00 |
| 19. Other PE restructuring measures | 0● | ●● | 0● | 00 | 0● | 0● | 0● | 0● | ●● | 0● | 00 |
| III. Financial sector policies | | | | | | | | | | | |
| 21. Interest rates policy | 00 | ●● | 00 | 00 | 00 | ●● | 0● | ●● | ●● | 00 | ●● |
| 22. Money supply policy | 00 | ●0 | 00 | 00 | 00 | ●0 | ●0 | ●● | 0● | 00 | 0● |
| 23. Financial Intermediation policy | 00 | ●● | 00 | 00 | 0● | 0● | ●● | 0● | ●● | ●0 | 00 |
| 24. Financial institutions policies | 0● | ●● | 00 | 0● | 0● | 0● | 0● | 0● | ●● | ●● | 00 |
| 29. Other financial policies | 00 | 0● | 00 | 00 | 0● | 0● | 0● | 0● | 0● | 0● | 00 |
| IV. Public institutions and regulations | | | | | | | | | | | |
| 31. Educational system | 0● | 00 | 00 | 00 | 0● | 0● | 0● | 00 | 00 | 00 | 00 |
| 32. Training institutions and programmes | 00 | 00 | 00 | 0● | 0● | 0● | 00 | 00 | 0● | 00 | 00 |
| 33. Labour regulations | 0● | 0● | 00 | 00 | 00 | 00 | 00 | 00 | 0● | 00 | 00 |
| 34. Technology development, research | 00 | 00 | 00 | 0● | 00 | 00 | 00 | 00 | 00 | 00 | 00 |
| 35. Investment promotion and regulation | 0● | 0● | 00 | 0● | 0● | 0● | 00 | 0● | 00 | ●0 | ●0 |
| 36. Price control systems | 0● | ●0 | 00 | 0● | 00 | 00 | 0● | 0● | 00 | 0● | ●● |
| 37. Civil service reform (non-wage/empl) | 00 | 0● | 00 | 0● | 00 | 00 | 0● | 00 | 00 | 0● | 00 |
| 38. Projects appraisal and monitoring | 00 | ●● | 00 | 0● | 0● | 0● | 0● | 0● | ●0 | ●● | ●0 |
| 39. Other institutions | 00 | ●● | 0● | 0● | 0● | 0● | 0● | 0● | ●0 | ●0 | ●0 |

| | Benin | Burundi | Chad | Central African Republic | Gambia | Ghana | Guinea | Guinea Bissau | Kenya | Mada-gascar | Malawi |
|---|---|---|---|---|---|---|---|---|---|---|---|
| V. Trade policies | | | | | | | | | | | |
| 41. Import/export quant. restrictions | 0● | ●0 | 00 | 0● | 0● | ●● | ●0 | ●● | ●● | ●● | 0● |
| 42. Import duties/subsidies | 0● | ●● | 00 | 0● | 00 | 0● | ●● | ●● | ●● | 0● | 0● |
| 43. Export duties/subsidies | 00 | ●0 | 00 | 0● | 00 | 00 | 00 | 0● | 00 | ●0 | 00 |
| 44. Import/export financing and credit | 00 | 0● | 00 | 00 | 00 | ●0 | 00 | 00 | 0● | ●0 | ●0 |
| 45. Other export incentives/ régime | 0● | ●● | 00 | 00 | 0● | ●● | 00 | 0● | ●● | ●● | 00 |
| 46. Other export institutions and promotion | 00 | 0● | 00 | 0● | 00 | ●● | 0● | 00 | ●● | ●● | 0● |
| 47. Other trade policies | 0● | 0● | 00 | 0● | 00 | ●● | 0● | ●● | ●● | ●0 | 00 |
| VI. Social sector | | | | | | | | | | | |
| 50. All social sector policies | 0● | ●● | 00 | 00 | 00 | 00 | 0● | 0● | ●0 | 00 | 00 |
| VII.i. Industrial sector policies and institutions | | | | | | | | | | | |
| 61. Pricing and subsidies | 00 | 00 | 00 | 00 | 00 | ●● | 00 | ●0 | 0● | ●● | ●0 |
| 62. Entry/exit/expansion policies | 00 | 00 | 00 | 00 | 00 | 0● | 00 | 00 | 00 | 00 | 00 |
| 63. Other regulatory policies | 00 | 00 | 00 | 00 | 00 | 00 | ●0 | 00 | ●0 | 00 | 0● |
| 64. Subsector/firm (private) restructuring | 00 | ●0 | 00 | 0● | 00 | ●0 | 00 | 00 | 00 | 0● | ●0 |
| 65. Investment promotion/incentives | 00 | 00 | 00 | 00 | 00 | ●0 | ●0 | 00 | 0● | ●0 | 00 |
| 66. Technology | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 0● | 00 | 00 |
| 67. Subsector planning (supply/ demand) | 00 | 00 | 00 | 0● | 00 | ●0 | 00 | 0● | ●0 | 00 | 00 |
| 68. Marketing policies | 00 | 00 | 00 | 00 | 0● | ●0 | 00 | 00 | 0● | 00 | 00 |
| 69. Other sector specific/ policies/institutions | 00 | 00 | 00 | 00 | 00 | 0● | 00 | 00 | 00 | 00 | 00 |
| VII.ii. Energy sector policies and institutions | | | | | | | | | | | |
| 71. Pricing and subsidies | 00 | 00 | 0● | 00 | 00 | ●0 | 0● | 00 | 00 | ●0 | 00 |
| 72. Entry/exit/expansion policies | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 |
| 73. Other regulatory policies | 00 | 00 | 00 | 00 | 00 | ●0 | 0● | 00 | 00 | 00 | 00 |
| 74. Subsector/firm (private) restructuring | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 |
| 75. Investment promotion/incentives | 0● | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 |
| 76. Technology | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 |
| 77. Subsector planning (supply/ demand) | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | ●0 |
| 78. Marketing policies | 00 | 00 | 00 | 00 | 00 | 00 | 0● | ●0 | 00 | 00 | 00 |
| 79. Other sector specific/ policies/institutions | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 |

| | Benin | Burundi | Chad | Central African Republic | Gambia | Ghana | Guinea | Guinea Bissau | Kenya | Mada-gascar | Malawi |
|---|---|---|---|---|---|---|---|---|---|---|---|
| VII.iii. Agricultural sector policies and institutions | | | | | | | | | | | |
| 81. Pricing and subsidies | 0● | ●● | 0● | 0● | 0● | ●● | ●● | ●● | ●0 | ●0 | ●● |
| 82. Entry/exit/expansion policies | 00 | 00 | 00 | 0● | 00 | ●0 | ●0 | 00 | 00 | 00 | 00 |
| 83. Other regulatory policies | 00 | 00 | 00 | 0● | 0● | ●0 | ●● | 0● | 00 | ●0 | ●0 |
| 84. Subsector/firm (private) restructuring | 00 | 0● | 0● | 0● | 00 | ●● | 00 | 00 | 00 | ●0 | ●0 |
| 85. Investment promotion/incentives | 00 | 00 | 00 | 00 | 0● | 00 | 00 | 00 | 00 | ●0 | 00 |
| 86. Technology | 00 | 0● | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | ●0 |
| 87. Subsector planning (supply/ demand) | 0● | ●● | 0● | 0● | 0● | 00 | ●0 | 0● | ●0 | 00 | ●0 |
| 88. Marketing policies | 0● | 0● | 00 | 0● | 0● | 00 | ●0 | 00 | ●0 | 00 | 00 |
| 89. Other sector specific/ policies/institutions | 0● | 0● | 00 | 0● | 0● | 0● | 0● | 0● | ●0 | 00 | ●0 |
| VII.iv. Other sector policies and institutions | | | | | | | | | | | |
| 91. Pricing and subsidies | 00 | 0● | 0● | 00 | 00 | 00 | 00 | 0● | 0● | 00 | 00 |
| 92. Entry/exit/expansion policies | 00 | 00 | 0● | 0● | 00 | 00 | 00 | 00 | 00 | 00 | 00 |
| 93. Other regulatory policies | 00 | 00 | 0● | 0● | 00 | 00 | 00 | 0● | 00 | 00 | 00 |
| 94. Subsector/firm (private) restructuring | 00 | 00 | 0● | 00 | 00 | 00 | 0● | 00 | 00 | 00 | 00 |
| 95. Investment promotion/incentives | 00 | 00 | 0● | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 |
| 96. Technology | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 |
| 97. Subsector planning (supply/ demand) | 0● | 00 | 0● | 0● | 0● | 00 | 00 | 0● | 00 | 00 | 00 |
| 98. Marketing policies | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 |
| 99. Other sector specific/ policies/institutions | 0● | 00 | 0● | 0● | 0● | ●0 | 00 | 0● | ●0 | 0● | 00 |

Source: World Bank.

●0 Denotes policy in place prior to 1987.
0● Denotes policy introduced or continued between 1987 and 1989.
●● Denotes policy in place both prior to 1987 and between 1987 and 1990.
00 Denotes no policy in place.

| | Mali | Mauri-tania | Mozam-bique | Niger | Sao Tome & Principe | Senegal | Somalia | Sudan | Tanzania | Togo | Uganda | Zaire |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| I. Macro-economic and fiscal policies | | | | | | | | | | | | |
| 1. Exchange Rate policy | 00 | 00 | 0● | 00 | 0● | 00 | ●● | 00 | ●● | 00 | 0● | ●0 |
| 2. Tax policy | 0● | 0● | 0● | ●0 | 0● | ●● | 0● | 00 | 0● | ●0 | 0● | ●● |
| 3. Wage and Employment policies | 0● | 00 | 0● | 00 | 0● | ●● | 00 | 00 | 00 | 00 | 0● | 0● |
| 4. Debt management policy | 00 | 00 | 0● | ●0 | 0● | ●● | 00 | 00 | ●0 | ●0 | 00 | 00 |
| 5. Budget deficit | 0● | ●● | 0● | ●0 | 0● | ●0 | 0● | 00 | ●● | ●● | 0● | 0● |
| 6. Public recurrent expenditures | 0● | 00 | 0● | ●0 | 0● | ●● | 0● | 00 | ●● | ●● | 0● | 0● |
| 7. Public investment expenditures | 0● | ●● | 0● | 0● | 0● | ●● | ●● | 00 | ●● | ●● | 0● | 0● |
| 8. Subsidies | 00 | 0● | 0● | 00 | 00 | ●● | 00 | 00 | 00 | ●0 | 00 | 00 |
| 9. Other macro/public sector policies | 0● | 00 | 00 | 0● | 00 | ●● | 00 | 00 | 0● | ●0 | 0● | 0● |
| II. Public enterprise sector restructuring | | | | | | | | | | | | |
| 11. Organization, planning/ manage system | 0● | ●● | 00 | 0● | 0● | ●● | ●● | 00 | 00 | ●● | 0● | 0● |
| 12. Financial management | 0● | ●● | 0● | 0● | 0● | ●● | ●0 | 00 | ●0 | ●● | 0● | 0● |
| 13. Labour and employment policies | 0● | ●● | 00 | 0● | 0● | 00 | 00 | 00 | 00 | 00 | 00 | 0● |
| 14. Operational policies | 0● | ●● | 00 | 0● | 0● | 0● | 00 | 00 | ●0 | ●0 | 00 | 00 |
| 15. Privatization/divestiture | 0● | ●0 | 0● | 0● | 0● | ●● | 00 | 00 | 00 | ●● | ●● | ●● |
| 19. Other PE restructing measures | 0● | ●0 | 0● | 0● | 00 | 00 | 00 | 00 | 0● | ●● | 00 | 00 |
| III. Financial sector policies | | | | | | | | | | | | |
| 21. Interest rate policy | 00 | 0● | 0● | ●0 | 0● | ●0 | ●● | 00 | ●● | 00 | 0● | 00 |
| 22. Money supply policy | 00 | 00 | 0● | 00 | 0● | ●0 | 00 | 00 | 00 | 00 | 00 | 00 |
| 23. Financial intermediation policies | 0● | 00 | 0● | 00 | 0● | ●● | 00 | 00 | 00 | 00 | ●0 | 0● |
| 24. Financial institutions policies | 0● | ●● | 0● | 00 | 0● | 0● | 0● | 00 | 0● | ●0 | ●0 | 0● |
| 29. Other financial policies | 0● | 00 | 00 | 00 | 00 | 00 | 0● | 00 | 00 | 00 | 00 | 0● |
| IV. Public institutions and regulations | | | | | | | | | | | | |
| 31. Educational system | 0● | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 0● | 00 |
| 32. Training institutions and programmes | 0● | ●0 | 00 | 00 | 00 | 0● | 00 | 00 | 00 | 0● | ●0 | 0● |
| 33. Labour regulations | 00 | ●● | 0● | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 0● |
| 34. Technology development, research | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 |
| 35. Investment promotion and regulation | 0● | 0● | 00 | 0● | 00 | 0● | 00 | 00 | 00 | ●● | 00 | 00 |
| 36. Price control systems | 0● | 00 | 0● | 0● | 00 | ●0 | 00 | 00 | 0● | 00 | 00 | 00 |
| 37. Civil service reform (non-wage/empl) | 00 | ●● | 00 | 0● | 00 | 0● | 00 | 00 | 00 | ●● | 00 | 00 |
| 38. Project appraisal and monitoring | 00 | ●0 | 00 | 00 | 0● | ●● | 00 | 00 | 00 | 00 | ●0 | 0● |
| 39. Other institutions | 0● | 00 | 0● | 00 | 0● | 0● | 0● | 00 | 00 | 00 | 0● | 00 |

| | Mali | Mauri-tania | Mozam-bique | Niger | Sao Tome & Principe | Senegal | Somalia | Sudan | Tanzania | Togo | Uganda | Zaire |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| V. Trade policies | | | | | | | | | | | | |
| 41. Import/export quant. restrictions | 00 | 00 | 0● | ●0 | 0● | ●● | ●0 | 00 | ●● | 0● | 00 | 00 |
| 42. Import duties/subsidies | 00 | 0● | 0● | 0● | 0● | ●● | 00 | 00 | ●● | ●0 | 00 | ●● |
| 43. Export duties/subsidies | 00 | 00 | 00 | 00 | 00 | ●● | 00 | 00 | ●0 | 00 | 00 | ●● |
| 44. Import/export financing and credit | 00 | ●0 | 0● | 00 | 00 | ●0 | 00 | 00 | ●● | 00 | 0● | 00 |
| 45. Other export incentives/ régime | 00 | ●0 | 0● | 00 | 00 | ●● | 00 | 00 | 0● | 0● | 00 | 00 |
| 46. Other export institutions and promotion | 0● | 00 | 00 | 00 | 0● | 0● | 00 | 00 | ●● | 0● | ●0 | ●● |
| 49. Other trade policies | 00 | 0● | 0● | 00 | 00 | ●● | ●● | 00 | ●● | 0● | 00 | 0● |
| VI. Social sector | | | | | | | | | | | | |
| 50. All social sector policies | 00 | 00 | 0● | 00 | 00 | 00 | 0● | 00 | 00 | 00 | 00 | 00 |
| VII.i. Industrial sector policies and institutions | | | | | | | | | | | | |
| 61. Pricing and subsidies | 00 | 00 | 0● | ●0 | 00 | 00 | 00 | 00 | 0● | 00 | 00 | ●0 |
| 62. Entry/exit/expansion policies | 00 | 00 | 00 | 00 | 00 | 0● | 00 | 00 | 00 | 00 | 0● | 00 |
| 63. Other regulatory policies | 0● | 00 | 00 | ●0 | 00 | ●● | 00 | 00 | 0● | 00 | 00 | 00 |
| 64. Subsector/firm (private) restructuring | 0● | 00 | 0● | ●0 | 00 | 00 | 00 | 00 | 0● | 00 | 00 | 00 |
| 65. Investment promotion/incentives | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | ●0 | 00 | 00 |
| 66. Technology | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 |
| 67. Subsector planning (supply/ demand) | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 |
| 68. Marketing policies | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 0● | 00 | 00 | 00 |
| 69. Other sector specific/ policies/institutions | 00 | 00 | 00 | ●0 | 00 | 0● | 00 | 00 | 00 | 00 | 00 | 00 |
| VII.ii. Energy sector policies and institutions | | | | | | | | | | | | |
| 71. Pricing and subsidies | 00 | ●● | 0● | 00 | 00 | 00 | ●0 | 00 | 00 | 00 | 0● | 00 |
| 72. Entry/exit/expansion policies | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 |
| 73. Other regulatory policies | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 |
| 74. Subsector/firm (private) restructuring | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 |
| 75. Investment promotion/incentives | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 |
| 76. Technology | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 |
| 77. Subsector planning (supply/ demand) | 00 | 0● | 0● | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 |
| 78. Marketing policies | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 |
| 79. Other sector specific/ policies/institutions | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 |

| | Mali | Mauri-tania | Mozam-bique | Niger | Sao Tome & Principe | Senegal | Somalia | Sudan | Tanzania | Togo | Uganda | Zaire |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| VII.iii. Agricultural sector policies and institutions | | | | | | | | | | | | |
| 81. Pricing and subsidies | 00 | 0● | 0● | ●0 | 0● | ●● | ●● | 00 | ●● | ●● | ●● | 00 |
| 82. Entry/exit/expansion policies | 00 | 00 | 00 | 00 | 0● | 0● | 00 | 00 | ●0 | 00 | 00 | 00 |
| 83. Other regulatory policies | 00 | 0● | 0● | ●0 | 00 | ●0 | ●● | 00 | 0● | 00 | 00 | 00 |
| 84. Subsector/firm (private) restructuring | 00 | 0● | 0● | ●0 | 00 | ●● | 00 | 00 | 00 | 00 | ●0 | 00 |
| 85. Investment promotion/incentives | 00 | 00 | 00 | ●0 | 0● | ●● | 00 | 00 | ●0 | ●0 | ●● | 0● |
| 86. Technology | 00 | 00 | 00 | 00 | 0● | ●● | ●0 | 00 | 00 | 00 | 00 | 00 |
| 87. Subsector planning (supply/ demand) | 00 | 0● | 0● | ●● | 00 | ●● | ●● | 00 | ●0 | 00 | ●0 | 0● |
| 88. Marketing policies | 00 | 00 | 0● | 00 | 00 | ●● | ●0 | 00 | 0● | ●0 | ●● | 00 |
| 89. Other sector specific/ policies/institutions | 00 | 00 | 0● | 00 | 00 | ●0 | 0● | 00 | ●0 | 00 | 00 | 0● |
| VII.iv. Other sector policies and institutions | | | | | | | | | | | | |
| 91. Pricing and subsidies | 00 | 00 | 0● | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 |
| 92. Entry/exit/expansion policies | 00 | 00 | 0● | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 |
| 93. Other regulatory policies | 00 | 00 | 0● | 00 | 00 | 00 | 0● | 00 | 00 | 00 | 00 | 00 |
| 94. Subsector/firm (private) restructuring | 00 | 00 | 00 | 00 | 00 | 00 | 0● | 00 | 00 | 0● | 0● | 00 |
| 95. Investment promotion/incentives | 00 | 00 | 0● | 00 | 00 | 00 | 00 | 00 | 00 | ●0 | 00 | 00 |
| 96. Technology | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 |
| 97. Subsector planning (supply/ demand) | 00 | 00 | 0● | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 |
| 98. Marketing policies | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 | 00 |
| 99. Other sector specific/ policies/institutions | 00 | 00 | 0● | 00 | 00 | 0● | 00 | 00 | 00 | 0● | 00 | 00 |

Source: World Bank.

●0 Denotes policy in place prior to 1987.
0● Denotes policy introduced or continued between 1987 and 1989.
●● Denotes policy in place both prior to 1987 and between 1987 and 1990.
00 Denotes no policy in place.

Annex TABLE 2

NET FINANCIAL FLOWS TO AFRICAN DEVELOPING COUNTRIES, 1985-1989
(billions of dollars)

| | 1985 | 1986 | 1987 | 1988 | 1989 a/ | Percentage of total | |
|---|---|---|---|---|---|---|---|
| | | | | | | 1985 | 1988 |
| Official flows | 16.6 | 19.2 | 22.0 | 25.2 | 23.1 | 74.8 | 92.0 |
| Official development assistance | 14.3 | 16.1 | 18.3 | 19.9 | 20.4 | 64.4 | 72.6 |
| Bilateral | 10.5 | 11.8 | 13.5 | 14.6 | 14.6 | 47.3 | 53.3 |
| Multilateral | 3.8 | 4.3 | 4.8 | 5.3 | 5.8 | 17.1 | 19.3 |
| Non-concessional official flows | 2.3 | 3.1 | 3.7 | 5.3 | 2.7 | 10.4 | 19.4 |
| Bilateral | 0.8 | 1.7 | 2.3 | 4.3 | 1.1 | 3.6 | 15.7 |
| Multilateral | 1.5 | 1.4 | 1.4 | 1.0 | 1.6 | 6.8 | 3.7 |
| Total export credits | 2.0 | 0.0 | -0.0 | -2.0 | 0.8 | 9.0 | -7.3 |
| Private flows | 3.6 | 6.7 | 4.1 | 4.2 | 3.5 | 16.2 | 15.3 |
| Direct investment | 0.5 | 0.8 | 0.7 | 1.4 | 0.7 | 2.3 | 5.1 |
| International bank lending b/ | 0.8 | 3.3 | 1.5 | 0.3 | .. | 3.6 | 1.1 |
| Total bond lending | 1.2 | 1.4 | 0.6 | 0.5 | .. | 5.4 | 1.8 |
| Other private | 0.1 | 0.1 | 0.1 | 0.6 | .. | 0.4 | 2.2 |
| Grants by non-governmental organizations | 1.0 | 1.1 | 1.2 | 1.4 | .. | 4.5 | 5.1 |
| Total net resource flows | 22.2 | 25.9 | 26.1 | 27.4 | 27.4 | 100.0 | 100.0 |
| Total net resource flows in constant terms c/ | 22.2 | 21.2 | 18.6 | 18.3 | 18.5 | | |
| Total net credits from IMF | 0.2 | -0.8 | -1.1 | -0.4 | -0.5 | | |
| Interest and dividend payments | -12.9 | -12.9 | -12.8 | -15.4 | -16.9 | | |
| Net financial transfers | 9.5 | 12.2 | 12.2 | 11.6 | 10.0 | | |
| Net financial transfers in constant terms c/ | 9.5 | 10.0 | 8.7 | 7.7 | 6.7 | | |
| Memorandum items (OECD) | | | | | | | |
| Recorded foreign asset transactions, net d/ | -3.5 | 0.8 | -6.9 | -3.0 | -3.0 | | |
| Technical co-operation expenditure | 3.3 | 3.8 | 4.5 | 4.9 | .. | | |

Source: OECD, Financing and External Debt of Developing Countries, 1989 Survey, Paris 1990; Geographical Distribution of Financial Flows to Developing Countries, 1985-1988, Paris 1990.

a/ Estimates.

b/ Includes long and short-term transactions.

c/ At 1985 prices and exchange rates.

d/ Excludes offshore centres and, as regards transactions, changes in official reserves.

Annex TABLE 3

NET FINANCIAL FLOWS TO SUB-SAHARAN AFRICAN DEVELOPING COUNTRIES, 1985-1989
(billions of dollars)

| | 1985 | 1986 | 1987 | 1988 | 1989 a/ | Percentage of total | |
|---|---|---|---|---|---|---|---|
| | | | | | | 1985 | 1988 |
| Official flows | 11.8 | 15.2 | 17.8 | 18.7 | 19.0 | 81.4 | 89.0 |
| Official development assistance | 10.7 | 13.2 | 14.8 | 16.6 | | 73.8 | 79.0 |
| Bilateral | 7.4 | 9.3 | 10.5 | 11.8 | | 51.0 | 56.2 |
| Multilateral | 3.3 | 3.9 | 4.3 | 4.8 | | 22.8 | 22.8 |
| Non-concessional official flows | 1.1 | 2.0 | 3.0 | 2.1 | | 7.6 | 10.0 |
| Bilateral | 0.5 | 1.2 | 2.2 | 1.7 | | 3.5 | 8.1 |
| Multilateral | 0.6 | 0.8 | 0.8 | 0.4 | | 4.1 | 1.9 |
| Total export credits | 1.1 | 0.0 | 0.3 | -0.5 | 0.0 | 7.6 | -2.4 |
| Private flows | 1.6 | 4.2 | 3.9 | 2.8 | 2.8 | 11.0 | 13.3 |
| Direct investment | -0.2 | 0.6 | 1.2 | 0.8 | | -1.4 | 3.8 |
| International bank lending b/ | 0.8 | 2.5 | 1.5 | 0.8 | | 5.5 | 3.8 |
| Total bond lending | 0.0 | 0.0 | 0.0 | -0.2 | | 0.0 | -1.0 |
| Other private | 0.1 | 0.1 | 0.1 | 0.1 | | 0.7 | 0.5 |
| Grants by non-governmental organizations | 0.9 | 1.0 | 1.1 | 1.3 | | 6.2 | 6.2 |
| Total net resource flows | 14.5 | 19.4 | 22.0 | 21.0 | 21.8 | 100.0 | 100.0 |
| Total net resource flows in constant terms c/ | 14.5 | 15.9 | 15.7 | 14.0 | 14.7 | | |
| Total net credits from IMF | 0.2 | -0.7 | -1.2 | -0.4 | -1.0 | | |
| Interest and dividend payments | -6.2 | -5.7 | -6.2 | -7.5 | -8.1 | | |
| Net financial transfers | 8.5 | 13.0 | 14.6 | 13.1 | 12.7 | | |
| Net financial transfers in constant terms c/ | 8.5 | 10.6 | 10.4 | 8.7 | 8.6 | | |
| Memorandum items (OECD) | | | | | | | |
| Recorded foreign asset transactions, net d/ | -3.4 | 1.0 | -1.9 | -1.5 | -1.3 | | |
| Technical co-operation expenditure | 2.5 | 3.1 | 3.5 | 3.7 | .. | | |

Source: OECD, Financing and External Debt of Developing Countries, 1989 Survey, Paris 1990; Geographical Distribution of Financial Flows to Developing Countries, 1985-1988, Paris 1990.

a/ Estimates.

b/ Includes long and short-term transactions.

c/ At 1985 prices and exchange rates.

d/ Excludes offshore centres and, as regards transactions, changes in official reserves.

## ANNEX TABLE 4

### INTRA-REGIONAL TRADE IN AFRICA, 1981-1989

| Country Group | 1981 | 1985 | 1986 | 1987 | 1988 | 1989 |
|---|---|---|---|---|---|---|
| A. Value of intra-group trade (in millions of dollars) | | | | | | |
| AFRICA | | | | | | |
| CEAO | 396 | 297 | 300 | 416 | 499 | |
| CEEAC a/ | 111 | 70 | 125 | 128 | 193 | |
| CEPGL | 7 | 10 | 8 | 8 | 10 | |
| ECOWAS | 944 | 481 | 491 | 588 | 684 | |
| MRU | 3 | 4 | 4 | 5 | 6 | |
| PTA a/ | 482 | 333 | 372 | 487 | 506 | 494 |
| SADCC a/ | 258 | 200 | 226 | 308 | 304 | |
| UDEAC | 146 | 50 | 84 | 103 | 117 | |
| B. Intra-group trade as a percentage of total exports of each group | | | | | | |
| AFRICA | | | | | | |
| CEAO | 10.1 | 7.1 | 6.5 | 8.4 | 10.5 | |
| CEEAC | 2.4 | 1.4 | 2.8 | 2.9 | 3.7 | |
| CEPGL | 0.2 | 0.8 | 0.6 | 0.7 | 0.7 | |
| ECOWAS | 4.6 | 2.5 | 3.2 | 4.0 | 4.9 | |
| MRU | 0.1 | 0.4 | 0.4 | 0.5 | 0.6 | |
| PTA | 9.0 | 7.5 | 6.9 | 8.9 | 8.0 | 7.8 |
| SADCC | 5.7 | 4.9 | 5.9 | 6.1 | 5.0 | |
| UDEAC | 3.0 | 2.0 | 3.0 | 3.2 | 3.6 | |

Note: Not all country groups have extended and implemented mutual trade preferences.

Source: UNCTAD, Handbook of International Trade Statistics, 1989, 1987 and 1983 supplements. United Nations publication.

a/ Trade data obtained from the IMF Direction of Trade Statistics.

## ANNEX TABLE 5

## LIST OF ACRONYMS

| | |
|---|---|
| AMU | Arab Maghreb Union |
| CEAO | West African Economic Community |
| CEEAC | Economic Community of Central African States |
| CEPGL | Economic Community of the Great Lakes Countries |
| ECOWAS | Economic Community of West African States |
| LCBC | Lake Chad Basin Commission |
| MRU | Mano River Union |
| OKB | Organization for the Planning and Development of the Kagera Basin |
| OMVG | Gambia River Development Organization |
| OMVS | Organization for the Development of the Senegal River |
| PTA | Preferential Trade Area for Eastern and Southern African States |
| SADCC | Southern African Development Co-ordination Conference |
| UDEAC | Central African Customs and Economic Union |

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